



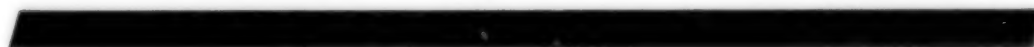
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CENTRAL EURASIA



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CONTENTS

17 March 1994

CAUCASUS

ARMENIA

Premier Reviews Government's First Year in Power [NEZAVISIMAYA GAZETA 22 Feb]	1
National Security Apparatus 'Restructured'	2
New Security Head Named [AZG 18 Jan]	2
Regional Branches Continue To Function [HAYK 22 Jan]	3
Former Presidential Advisor Critical of Move [AZG 1 Feb]	3
Interior Minister Defends Move [HAYASTANI HANRAPETUTYUN 26 Jan]	3
Former Presidential Advisor Scores Government [AZG 1 Feb]	3
Interior Minister Comments on Crime Rates, Coup Rumors [HAYASTANI HANRAPETUTYUN 26 Jan]	4
Interior Minister on Combatting Crime, Rivalry with President [AZG 12 Jan]	5
Manpower Shortage in Karabakh Army Detailed [YERKIR 3 Feb]	6

AZERBAIJAN

Elchibey Comments on Azerbaijan's Foreign Policy, Political Future [MOSCOW NEWS No 9, 4-10 Mar]	7
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GEORGIA

Ambassador Abashidze on Europe's Interest in Georgia [SAKARTVELOS RESPUBLIKA 14 Jan]	8
Minister Kereselidze Views State of Nation's Industrial Base [SAKARTVELOS RESPUBLIKA 19 Jan]	10
Deputy Explains Talks With Duma Factions [OBSSHCHAYA GAZETA No 9, 4-10 Mar]	12

RUSSIA

ECONOMIC AND SOCIAL AFFAIRS

Central Bank Attempts To Gain Control Over Precious Metals Market [KOMMERSANT-DAILY 2 Mar]	13
Central Bank Warns Public Against Unlicensed Firms' Banking Operations [IZVESTIYA 11 Mar]	14
Bank Consortium To Improve Bank System, Activities [BIZNES I BANKI No 9, Mar]	14
Conversion of Foreign Currency Credits into Rubles To Boost Economy [FINANSOVYYE IZVESTIYA No 10, 10-16 Mar]	17
Privatization Plan Seen as Utopian [ROSSIYSKAYA GAZETA 24 Feb]	18
New System for Registration of Stock Issues [KOMMERSANT No 6, 22 Feb]	20
'Reforma' Foundation on Results of Gaydar's Economic Reforms [NEZAVISIMAYA GAZETA 24 Feb]	21
Socially Oriented Economic Reforms Advocated [EKONOMIKA I ZHIZN No 8, Feb]	24
Banks' Heads Against Duties on Hard Currency Operations [KOMMERSANT-DAILY 1 Mar]	26
Lack of Available Information on 1993 Budget Criticized [RABOCHAYA TRIBUNA 4 Mar]	27
National Socioeconomic Statistics for 1993 [EKONOMIKA I ZHIZN No 6, Feb]	28
1993 Tax Service Results Summed Up [MOSCOW NEWS No 9, 4-10 Mar]	42
Appeal, Draft Agreement on Cooperation of Government, Manufacturers' Federation [NEZAVISIMAYA GAZETA 1 Mar]	42
Decree on Government Delegation of Powers in Property Management [ROSSIYSKAYA GAZETA 19 Feb]	45

Edict on Certain Amendments to Taxation, Budget Interrelations [EKONOMIKA I ZHIZN No 2, Jan]	47
Agrarian Deputy on Agricultural Policies [LITERATURNAYA GAZETA No 9, 2 Mar]	52
System for Certification of Goods, Services Explained [DELOVOY MIR 15 Feb]	53
Falling Ostankino Ratings Viewed [MOSKOVSKIYE NOVOSTI No 8, 20-27 Feb]	54
Journalists Worried by Edict on Secrets [ROSSIYSKIYE VESTI 3 Mar]	55
Head of Social Security Ministry on Growing Homelessness [RABOCHAYA TRIBUNA 23 Feb] ..	56
Regional Unit Battles Moscow Mafia [TRUD 1 Mar]	58
'Omnipotence' of Corruption in Power Structure Deplored [NEZAVISIMAYA GAZETA 26 Feb]	60
MVD Assesses Fight Against Crime 1993-94 [ROSSIYSKAYA GAZETA 11 Mar]	62
Russian Coal Industry Jan-Aug 93 Performance Viewed [UGOL No 12, Dec]	71

ARMENIA

Premier Reviews Government's First Year in Power

944K0307A Moscow NEZAVISIMAYA GAZETA
in Russian 22 Feb 94 p 3

[Article by Armen Khanbabayan: "Building a National Army Hampers the Armenian Economy: The Head of the Cabinet Thinks That Ministers Should Not Be Envious"]

[Text]

Prime Minister of Armenia Grant Bagratyan held a press conference concerning the results of the current Cabinet of Ministers' year at the helm of executive authority. According to the premier, this year became the most difficult period for the national economy. Because of the permanent blockade, the volume of used resources fell at least by a factor of four, and the level of production of electric power also decreased. Last year Armenia, contrary to its desire, did not end up in the ruble zone, which also had an extremely negative effect on all aspects of life. The continuing confrontation in Karabakh and Azerbaijan's continuous efforts to draw Armenia into the conflict also had a serious effect on the economy. In this connection, the prime minister noted that today Baku is trying in fact to initiate a so-called war of resources, and this is compelling Armenia to devote increased attention to the formation and reinforcement of defense structures and to take the path of intensive building of the army, bringing its armed forces to the level permitted by international agreements; moreover, both in the sense of numbers and from the aspect of material-technical equipping. "If we were spending as much on defense today as at the beginning of 1992," declared the premier, "the standard of living in the republic would grow by 75 percent immediately."

Despite these extremely unfavorable factors and regularly arising circumstances of force majeure (explosions in gas pipelines, and sabotage in various other infrastructures connecting Armenia with the outside world), the republic was in principle able to maintain the gross national product practically at the former level. While having less resources in 1993 by a factor of four and producing less electric power by a factor of three, Armenian enterprises were able to provide more than 90 percent of the production of the 1992 level. In addition, in Bagratyan's opinion, it is a positive fact that a steady growth trend was observed in the course of the whole year—production seemed to be adjusting itself more and more to the conditions that were developing. This also became the reason for a phenomenon that was rather unexpected for many: According to the year's results, Armenia looks even better than the average for the CIS. In the words of the premier, galloping inflation was successfully reined in, and this slowed down somewhat what started to be a rapid drop in the standard of living of the people, as well as in the exchange rate of the

national currency. Bagratyan is convinced that it was necessary from the very beginning to introduce not a fixed and firm rate of exchange of the dram, but a "floating" dram, which would have prevented the emergence of negative tendencies and would not have permitted the development of a shadow economy. In the words of the premier, it was precisely the correction of this error recently that made it possible to noticeably stabilize the dram, which today looks almost like a "super-hard currency," especially in comparison with the Georgian coupon or the Azerbaijani manat. The premier also assessed as positive the fact that Armenia had finally become a member of the international community of developing countries. In addition, he emphasized that in this regard it is not necessary to experience any negative emotions and that there should be no psychological bias against the term "developing states," since it was only recently that Israel and Singapore, whose economic potential needs no comment, were removed from the group of developing states. The most important problems that the premier mentioned as requiring resolution this year are the formation of the budget, perfection of tax policy, and stiffening of control over exports. As before, the situation is being influenced by the so-called Georgian problem, specifically, the delivery of commodities on the territory of the neighboring country. Just today, 5,000 tonnes of butter and 25,000 tonnes of rice belonging to Armenia were held up on the territory of Georgia. The usual difficulties with the delivery of grain arose, and the government is expending enormous forces and energy to ensure that purchased and already paid for foodstuffs are finally delivered to consumers. Moreover, Armenia today is forced to apply enormous efforts to ensure Georgia regularly receives its quota of gas. It is only this that makes it possible to hope that something will also get to Yerevan. There is no doubt that the war in Karabakh will continue to have a negative influence. "It is hoped," noted Grant Bagratyan, "that the complete failure of the winter campaign will be proof for Azerbaijan that it is impossible to solve the Karabakh problem through force." However, whatever is decided in Baku, whether to finally sit down at the negotiating table or to continue the war nevertheless, while at the same time counting on a war of resources—we are prepared for both variants in the development of events.

To the question of how the premier assesses the fact that the present government may soon break the record for remaining in power, Bagratyan noted that there is still a full month before a record is achieved, and that hasty statements should not be made. The ministries were permitted to work for a relatively long period, but it is not worth envying them, inasmuch as the members of the government have exhausted themselves mentally and physically. "If it were up to me, I would send all of them on a vacation of about six months. The people have earned this," declared the premier. Responding to a question concerning the prospects for a renewal of the work of the Armenian AES [nuclear power station],

Grant Bagratyan emphasized that the negotiations conducted on this score in Moscow were quite beneficial. And today the Armenian side does not see any obstacles now to signing an agreement on converting the AES into a joint Armenian-Russian enterprise. The signing of such an agreement can be expected in the very near future. Moreover, Armenia hopes that the decision being prepared by European structures regarding the problem of nuclear power engineering in the CIS countries will also be positive, and in such an event it will be possible to hope for the extension of credits on the part of West European states.

National Security Apparatus 'Restructured'

New Security Head Named

944K0780A Yerevan AZG in Armenian
18 Jan 94 pp 1, 8

[Report by G. N.: "State Administration for National Security Is Being Restructured"]

[Text] According to a decree issued by President Levon Ter Petrosyan on 14 January, Armenia's State Administration for National Security [SANS] will be reorganized. According to the decree, all functional services of the SANS have been disbanded and the activities of their staff have been terminated, though they will receive another 3 months of pay. The Main Administration for the Protection of State Borders as well as administrative, technical, financial-economic and medical services have been retained within the SANS structure.

Eduard Simonyants has been relieved of his duties as the head of the SANS. His functions will be performed by Davit Shahnazaryan who has been appointed as the acting chief of the Administration and who will continue to serve as the president's envoy on special assignments. Shahnazaryan has been assigned the responsibility to evaluate the SANS staff and to present to the government the bylaws and organizational structure of the administration within the next 3 months.

During a briefing yesterday, the president's press secretary, Aram Abrahamyan, noted in connection with the presidential decree on the restructuring of the SANS that the primary responsibilities of the Administration must be intelligence gathering and counterintelligence. He added that the Administration must undergo structural changes in order to perform those functions. According to Mr. Abrahamyan, the former structure was created during the Soviet period and served other purposes, mainly the pursuit of dissidents. Now that, according to the president's press secretary, there are no such problems in Armenia, the SANS services must concentrate on the issues mentioned: intelligence gathering and counterintelligence.

As for the issue of who heads the SANS, Mr. Abrahamyan stated that the envisaged restructuring is not at all related to the person of former chief Eduard Simonyants,

whom the president holds in very high regard and whose capabilities will be utilized in other areas.

As is known, Eduard Simonyants is a petrochemist by training and entered the national security apparatus in 1990 as part of the president's team of national security advisers. In February 1993 he was appointed chief of the SANS. As for how he became part of the national security apparatus, in Simonyants's words, there are few people today who have had much relevant training for their present jobs. That is what he declared in March 1993 during a meeting with reporters.

Now, approximately 1 year after his appointment, the SANS is headed by a person who is equally inexperienced in national security work (or at least has no directly relevant experience in that field).

As is known, the new head of the SANS, Davit Shahnazaryan, is a physicist by training. He is the president's envoy on special assignments and has considerable experience in international mediation activities.

At one point Shahnazaryan was considered a contender for the position of the republic's foreign minister. With respect to his experience in national security bodies, the president's press secretary said at yesterday's briefing that what is important is not his experience but whether he has a clear political posture. Mr. Abrahamyan cited as an example Minister of the Interior Vano Siradeghyan who also was not trained for or had experience in his domain of work. Mr. Abrahamyan noted that the issue of restructuring the SANS has been under study for a long time and that, in his opinion, it must be run by a political appointee.

Did this lengthy study also include the issue of Eduard Simonyants as the SANS chief?

The 57-year-old former SANS chief declined to comment in any way on his dismissal during our short telephone conversation. When we asked him whether there were any specific grounds for his dismissal he answered in the negative. The only positive answer Mr. Simonyants gave us was that he has genuinely been offered another position whose details he declined to provide.

Thus, Armenia's SANS is being restructured by a presidential decree. Let us recall that Russia's agency responsible for national security, the Ministry of National Security, has been restructured by President Boris Yeltsin's decree. Given that internal developments in Russia affect events in Armenia in one way or another, the restructuring of Armenia's SANS can, perhaps, also be tied to the reorganization of Russia's Ministry of National Security. Of course, one must add to that all the known and unknown causes and preceding events in Armenia, stated and unstated opinions about the restructuring of the SANS and one must not rule out any relationship to the resignation of the president's former national security adviser, Ashot Manucharyan. One

must also take into account the fact that Eduard Simonyants is a "product of that blacksmith's shop."

Regional Branches Continue To Function

944K0780B Yerevan HAYK in Armenian 22 Jan 94 p 1

[Text] The president's 14 January decree "on the restructuring of State Administration for National Security of the Armenian Republic," whose purpose is to resolve the national security issues that stand before the Administration in conditions of independent statehood, has gone into effect. The radical restructuring of this agency has naturally attracted attention and interest. The ARMEN-PRES correspondent queried David Shahnazaryan, the acting head of the SANS, about the current activities of the regional divisions of the Administration. Mr Shahnazaryan stated that the president's decree terminated the activities of the functional services of only the central security apparatus and that the regional subdivisions are still continuing their work.

Former Presidential Advisor Critical of Move

944K0780C Yerevan AZG in Armenian 1 Feb 94 p 1

[Text] As is known, Armenia's SANS was subjected to restructuring in accordance with the president's decree on 14 January. Ashot Manucharyan, the president's former adviser on national security affairs, spoke about that measure during his press conference yesterday and described it as the work of the special services of countries hostile to Armenia. He came to that conclusion in the presence of reporters by "shattering" all official and unofficial theories published in the press. According to Manucharyan, the said decree practically annihilated the SANS and destroyed the network of agents and that this helps only the special services of hostile nations because the official measure—that is to suspend the Administration's work for 3 months and to certify its staff—is unacceptable. After all, he said, the staff could be certified without suspending their activities. Mr Manucharyan added that the said decree must definitely be reconsidered and that a special commission must be created to review the process by which that decision was taken and to find the culprits. He added: "The hostile hand must be found as soon as possible."

Interior Minister Defends Move

944K0780D Yerevan HAYASTANI
HANRAPETUTYUN in Armenian 26 Jan 94 pp 1, 5

[Answers to reporters' questions by Minister of the Interior Vano Siradeghyan at press conference in Yerevan on 25 January]

[Excerpt] [Passage omitted]

[Question] What is your opinion regarding the dissolution of the SANS and the appointment of Davit Shahnazaryan [as acting SANS chief]?

[Siradeghyan] I know one thing with certainty: The dissolution of that agency can at least help the investigative bodies. The investigation of the assassination of [former Armenian KGB chief Marius] Yuzbashyan will now probably move forward. That agency was supposed to help in the investigation of that assassination but did nothing—indeed it "put it to sleep." An investigative team has been created which incorporates the Ministry of the Interior, the SANS and the prosecutor's office. One day after Yuzbashyan's burial, his wife—who was a SANS major—fled to Moscow. She is the last person who saw Yuzbashyan alive. It is still not known whether the wife offered any assistance. That investigation was frozen one day after Yuzbashyan's burial. I am deeply convinced that that "soyuzni" [allied] KGB (I do not say Armenia's KGB) purged its own former chief who knew much about the beginnings of the Karabakh movement and who knew many people. Let me also mention that Yuzbashyan was killed by a single shot, but several empty shells were left at the assassination site to give the impression that there were several shots. They killed Ashot Sargsyan with a single shot with the same skill, the same boldness and the same cowardice. Thus the dissolution of the SANS was essential. As for the appointment of Davit Shahnazaryan, let me say that for this work it was necessary to appoint a man in whom the president has full confidence. There was no other alternative. [passage omitted]

Former Presidential Advisor Scores Government

944K0780E Yerevan AZG in Armenian 1 Feb 94 p 1

[Article by Arsen Baghdasaryan: "Ashot Manucharyan's Fourth Return: The Mysterious Recluse Begins to Speak"]

[Text] It is a recurring pattern: Every time the situation in some important domain of the republic assumes critical proportions, Ashot Manucharyan returns—unexpectedly for some—to the political stage. This time, according to Manucharyan, the problem is that Karabakh will most probably be able to halt the enemy's massive offensive and achieve a breakthrough in the war's progress in the coming days and that it is very important that we achieve peace and not lose the favorable moment for a second time. During a press conference at the Armenian Republican Party's headquarters yesterday, Manucharyan called on parties, public and political organizations and others to work together and "to turn the wheel in the direction that is essential for us." He expressed the hope that the next 2 to 3 months will have a determining role in the achievement of peace.

Commenting on anticipated provocations, the former presidential advisor stated that a dignified solution must be found to the Karabakh problem and that one the requirements is that the people of Karabakh must have guarantees for its secure development and it must not be under anyone's rule. Mr Manucharyan said that this is the minimum requirement and did not rule out any situation which may be agreeable to Karabakh but which

may not satisfy Armenia. Mr Manucharyan also commented on the CSCE and Russian peace efforts and stated that the latter incorporates mechanisms which make the resumption of military activities impossible but that it has many flaws. As for the well known proposal made by [Yeltsin adviser] Andranik Mihranyan, Mr Manucharyan said that that proposal is very close to Russia's general posture.

Having been deprived of the opportunity to ask questions to the mysterious politician for a long time, the reporters naturally tried to learn about his views on the government, the president and the Ministry of the Interior. It turns out that the former presidential adviser has a very low opinion of the government's work, that, in his opinion, the present government cannot rectify the situation and that it must be replaced by a new one. The Ministry of the Interior was the target of more severe criticisms: Mr Manucharyan said that that ministry "is out of control and not subject to authority." According to Mr Manucharyan, if this situation continues there will be nothing in the republic except the Ministry of the Interior. He criticized the Ministry of the Interior for contributing to the economic crisis and said that business people are fleeing the republic today because of the shadow taxes that ministry has imposed. With an expression of boyish amazement, Mr Manucharyan cited a few examples of how those shadow taxes operate.

Mr Manucharyan also criticized certain episodes of the president's foreign policy but declined to identify them because, in his words, they are related to state secrets and cannot be publicized.

Interior Minister Comments on Crime Rates, Coup Rumors

944K0781A Yerevan HAYASTANI
HANRAPETUTYUN in Armenian 26 Jan 94 pp 1, 5

[Report by Ashot Aghababyan: "Tangible Results of Preventive Measures: Minister of the Interior Vano Siradeghyan's Press Conference"]

[Excerpts] Before answering the reporters' questions at the press conference yesterday, Minister of the Interior Vano Siradeghyan summarized the work of his ministry with figures.

The total number of crimes in 1993 was 19 percent less than that for 1992. There was a 26-percent drop in criminal investigations. The number of intentional and attempted murders dropped by 13 percent, criminal acts resulting in bodily injury by 13.6 percent and thefts of state and public property by 65.5 percent. The number of crimes committed in not clearly known circumstances declined by 32 percent. In 1993, 430 cases of use, possession and distribution of narcotics were uncovered. Of these, 47 cases involved narcotics sellers, all of whom are in jail. It can be said that all narcotics traffickers in Yerevan are in prison. The number of car thefts declined by 60.7 percent. This was the result of better car security measures and the scarcity of gasoline. In 1993, 53 cases

of circulating counterfeit currency (Russian rubles and American dollars) were uncovered, but the location of their printing presses has not been determined. Crimes in public areas declined by 37 percent.

Criminal offenses by juveniles (402 cases in 1993) and theft of private property are on the rise. The latter category has been growing steadily especially in the winter. No change has been observed in offenses committed by recidivists: 630 formerly convicted persons committed offenses again. [passage omitted]

Rumors Not Serious

[Question] There are rumors that there have been assassination attempts against you, that you are preparing to become prime minister and that you want to move to France.

[Siradeghyan] I said on one occasion that there are jocular rumors that I will be named prime minister but that these rumors are not taken so lightheartedly by the government. I have no aspirations for that office. As for my departure from Armenia, they have been talking about that for two years. Denying them every time may appear comical. At one time they said that we were giving Karabakh away. Did we? It is those same people who are spreading these rumors. Life and time have proven them wrong. All these must be taken with some humor. As for the assassination attempt, it is impossible to mount an assassination attempt against me. There is no man in Armenia who would want to do that. As for my going abroad, there is no place in the world I would like to go and live, unless they expel me from Armenia. It is more secure and easier to live here. Here I have relatives, brothers and friends. Do not take those rumors seriously. [passage omitted]

Right To Carry Arms

[Question] It is extremely dangerous to walk in the capital's streets at night. Is it not time to allow citizens to carry arms—at least gas pistols—for self-defense?

[Siradeghyan] I am convinced that the number of criminal offenses will drop if we allow citizens to carry arms. However, I oppose the idea of gas pistols when the other side has real pistols. With the approval of the collegium of our ministry I have allowed certain individuals to carry arms. In general, the people who are given such permits are individuals associated with government bodies and persons working for businesses and banks. However, the number of such persons is very small. Our ministry as well as the relevant committee of the Supreme Council and the prosecutor's office are drafting laws for private gun ownership. I am hopeful that the Supreme Council will enact that law this year. I think that citizens must be given the right to carry arms so that everyone knows that the other person may have a weapon. I consider that the primary preventive measure against crime. [passage omitted]

Possible Coup Ruled Out

[Question] Recently there has been talk about a possible coup d'etat.

[Siradeghyan] What do you think? Do you think that such a thing can happen in Armenia when Vazgen Sargsyan is the minister of state, Serzh Sargsyan is the minister of defense, I am the minister of the interior, and Samvel Babayan is the commander of the Karabakh forces? If you think that in Armenia there are even 10 armed people outside of these structures, you are wrong. There are not. If there are please show me. A coup can be mounted only by the military structure if it joins forces with at least two of the structures I mentioned. Do not believe fables and boasts. There is no such force in Armenia. [passage omitted]

Interior Minister on Combatting Crime, Rivalry with President

944K0781B Yerevan AZG in Armenian 12 Jan 94 p 4

[Interview with Minister of the Interior Vano Siradeghyan by correspondent Ida Martirosyan; date and place not specified]

[Excerpts] We know that the interview below by our correspondent will cause dissatisfaction among some of our readers. The questions that are posed with "sharp" propositions could have been further sharpened. They could rise above the level of rumors, probe deeper issues and perhaps allude to the interior ministry's aspirations to become a state within a state. While we hope that we will have that opportunity in the future, we cannot fail to mention with satisfaction the interior minister's considered, balanced, mature responses which portray the growth of a statesman and a politician.

[AZG] One would think that gunfire in Yerevan subsided somewhat recently.

[Siradeghyan] Why do you say "one would think"? Do you not believe your own ears?

[AZG] Perhaps I am being facetious. Yes, gunfire has subsided, but some think that the cold and the low morale have blunted even gangsterial emotions. Is this really fully the result of police work?

[Siradeghyan] After the president's decree was issued we seized from the population approximately 1,000 guns. That is equivalent to the arsenal of two brigades of internal security forces. If we extend the analogy, that means two brigades which are not subject to the authority of anyone. Today those people have been disarmed. Of course, I am not so naive as to think that the guns of all "free gunmen" have been seized, but most of them do not fire their guns any more. [passage omitted]

[AZG] Is the mafia concept a reality or a ghost in our country? I am referring only to the purely criminal aspect—say the gangs—and not the economic and political aspect.

[Siradeghyan] If we speak about purely the criminal aspect, then it should be called gang activity. The mafia, on the other hand, is multisegmented and multilayered. Obviously it also has its gangster elements, but it cannot exist without senior-level sponsors in the government, say, the prosecutor's office, the interior ministry and the parliament. I must concede that there was a time when the situation that was created in our country was contributing to the creation of a classical mafia structure. That did not happen, however, because we were able to intervene in time and to eliminate several large gangs which could become the basis for future growth. Today we have already imprisoned 40 to 50 persons. Many people expressed the fear that if we arrest all the "authorities" then chaos will ensue in the criminal world, with blood feuds and assassinations. We were also prepared for such an eventuality. I must say, however, that, although there were a few incidents, the general pattern of crime did not change. Thus we achieved our objective. [passage omitted]

[AZG] Fine, but I am more interested in the "sponsors." What about you?

[Siradeghyan] That is the most difficult part of the work and is based on empirical information. I may know the "sponsor" of this or that gang, but to catch him in the act... Let me give a basic example: When we began our "purge" of the crime world, they began collecting signatures in the parliament in defense of well-known crime figures. These are five or six men whose last names are very well known in the capital. To this day they continue collecting signatures in their defense. How can we be surprised when there are parliamentary deputies who have been convicted of criminal activities in the past? Those people mingle in that environment, and obviously will defend it. [passage omitted]

[AZG] It is said that the police force in our country is depoliticized. Even so, you are considered a political figure, and a very powerful one. At one time they thought there was a battle of personalities at the top between Levon Ter Petrosyan and [former prime minister and defense minister] Vazgen Manukyan. That correlation of forces became accepted and its resolution was conventional. Now there is another theory that, after that episode, the president could expect another one. In other words, being the head of a consolidated, trained and well-armed agency like the Ministry of the Interior, you may, in some set of circumstances, become, let us say, the president's opponent or rival in political affairs. Further, it is even alleged that there are already differences between you and the president.

[Siradeghyan] That is truly fabulous, I have nothing to say. You know, it would be ludicrous to say that I am not a political figure. Everywhere in the civilized world the

interior minister is a political figure. It is only natural that the head of that ministry be the political support and ally of the head of state.

[AZG] In other words, you do not have any differences with the president?

[Siradeghyan] That cannot happen. If it does happen I would resign from this position—or the president would tell me to step down and I would do so. There is no such problem. If there were, our domestic situation would be like that of Georgia or Azerbaijan, where one leader does not trust the other.

[AZG] I hope you will not think my questions about "rumors" are tactless. It is simply that since there are certain rumors they must be answered. For example, it is said that you exercise control over certain economic and financial domains. One example is gasoline. Another is the practice of raising and lowering the foreign currency exchange rate so that you can pay for the Korean automobiles—there was so much talk about that.

[Siradeghyan] What has been said is mean. Yes we were involved in the supply of gasoline. When there was no gasoline on the market we brought 20 wagons of it from Georgia. We kept that shipment and planned to release it on the market at the time the new currency would be issued. There is nothing criminal about that. We have a special trading structure for such activities and that structure was created before I took office. We hope that we will be able to cut the price of gasoline.

[AZG] By a so called "goods intervention"?

[Siradeghyan] Yes, but we failed to flood the market with goods. We sold our gasoline for a week, but the people who really control the gasoline business simply kept their supplies.

[AZG] It appears that they are not fools. How did all that end?

[Siradeghyan] We failed completely not because our opponents were more clever but because our allies did not act. The other ministries did not come to our aid. A massive flooding of the market with goods simultaneously with the issuance of new currency did not take place. Thus our enterprise vanished into the thin air like the gasoline. We stopped our project realizing that we may go bankrupt. Today we are doing it with established prices. We had borrowed to buy the gasoline and we still have not been able to repay our debt. One reason is that we gave some of the gasoline to emergency services and the city hall. That is the reality of the "gasoline legend." As for the rumors, time will put everything in its place. Now let me address the issue of the automobiles. Our original contract was for [Russian] Zhigulis, but then we asked our colleagues for cheaper cars. This led to Hyundai cars, on each of which we saved approximately \$5,000. The clamor that was raised by some, including some parliamentary deputies, about that issue could have been put to better use. It is ridiculous to hear some

allegations that those funds should have been spent for the stabilization of the new currency. Could that have been done with such small sums? There are methods to do that. We had allocated \$1 million for the stabilization of the currency. However, when the government realized after spending half that sum that nothing is happening it did not spend the second half. Also we do not have the reserves to import hard currency on a continual basis. Nobody will give us such loans. It is impossible to maintain a stable currency exchange rate without backing the currency with goods and without a working economy. Thus, those rumors that the currency declined in value because we spent dollars to purchase cars is simply ridiculous.

Manpower Shortage in Karabakh Army Detailed

944K0781C Yerevan YERKIR in Armenian
3 Feb 94 p 3

[Article by Nayiri Badalyan: "The Army Needs Reserves and Supplies"]

[Excerpts] Martakert [Nagorno-Karabakh]—The war continues in Artsakh. It continues with unrelenting intensity. The leadership of Azerbaijan does not wish to come to terms with the idea that, even after mobilizing all the resources (human and material) of that state for the battlefield, this offensive of unprecedented strength has failed like all the others before it. Even so, Azerbaijan continues to throw thousands of fresh conscripts into the meat grinder. Hoping initially to achieve quick success and to break through the defense forces of the Nagorno-Karabakh Republic [NKR] in any direction, [Azeri president Haydar] Aliyev tried to enhance his authority and to consolidate his rule in Azerbaijan. Because of that reason, it is not surprising that he is willing to lose large numbers of men and equipment for the sake of the most insignificant gain. Although the failure of Azerbaijan's latest offensive of 1 and ½ months is evident, that country's propaganda machine has not stopped its boasts, drumming up the fictitious victories of the Azeri army. [passage omitted] This has been happening at a time when virtually all the major battlefields are filled with unburied Azeri corpses who have been left there by their countrymen for political reasons (so that the large number of casualties does not raise political complications for the Aliyev administration). In order to prevent the outbreak of epidemics special services of the NKR forces have been rounding up these corpses and burying them in mass graves. However, the Azeri authorities do not care: The killed soldier is replaced by a fresh one, the destroyed brigade is replaced by one from the reserves. A situation has been created whereby the fighters of the Artsakh self-defense forces, no matter how strong morally and convinced about the justice of their cause and their eventual victory, are faced with severe hardships because of a shortage of manpower. The boys, some of whom have been fighting without rest for 5 years, are tired—some even weakened as a result of continual sleeplessness and poor nutrition. The endurance of their organisms can only be explained

with the astonishing Armenian will and ability to survive. The heroic defenders of the NKR have and virtually receive nothing. Their ammunition and weapons are primarily strategic, obtained from the enemy. Obviously that cannot and does not meet the requirements of a steadily intensifying war. Instances when NKR army units cannot pursue fleeing enemy formations simply because they are out of ammunition are not uncommon. The soldiers' lack of clothing and food is even more distressing. The principal elements of the Artsakh force are fighting in a state of semi-starvation. I saw with my own eyes how, in one of the supposedly most combat-ready (if it is possible to compare) units, the Stepanakert brigade, which was at one time led by the legendary Bekor Ashot, soldiers passed from hand to hand a few loafs of bread before going to battle. Breaking small pieces from the loaves each fighter proceeded to the post he is assigned. Those pieces of bread were supposed to be the food which would sustain them in a battle that could last all day. [passage omitted]

In these circumstances of manpower shortages the defenders of Artsakh have performed miracles. They have won victories which defy any military logic. Even so, the Artsakh army is in dire need of volunteers from Armenia and the diaspora. Today there is no man of arms-bearing age in Artsakh who has not been conscripted; all of them are on the battlefronts. The Artsakh army has only a small number of units, and that number is getting smaller each day. Artsakh no longer has any reserves. As Artsakh defends the cause of the Armenian nation today, the Armenian nation is obligated to enlist in Artsakh's cause. Artsakh's army is strong and combat-ready; it only needs enlisted men. On many occasions, the fleeing enemy is not pursued and the success of the Artsakh army is not fully developed because there are no complementary forces to take positions in the captured hills. Advancing soldiers often have to stop half way and take positions in order not to leave their rear unguarded. The same men attack during the day and keep watch at night without taking any rest. Meanwhile the routed enemy, having escaped hot pursuit, is able not only to rest and recuperate but also to receive large quantities of reinforcements and equipment and thus can reorganize its forces and resume its offensive. As long as the entire Armenian nation does not realize that the nation's destiny is being determined on the battlefronts of Artsakh and as long as throngs of volunteers do not head there with the call of blood, the war can take a dangerous turn at any moment. The people and government of Armenia must not allow the 150,000 Armenians of Artsakh to stand alone against 7 million Azeris, and must be aware that turning this war into a war of reserves cannot be allowed. Time is working in Azerbaijan's favor. The war must be concluded quickly.

It is time to wake up and begin building an army seriously. Also, we must not be deceived by the Azeri offers of ceasefires, which they remember and agree to only when they are in trouble. Those ceasefires are used by Azerbaijan to prepare for new offensives.

AZERBAIJAN

Elchibey Comments on Azerbaijan's Foreign Policy, Political Future

944K0860A Moscow MOSCOW NEWS in English
No 9, 4-10 Mar 94 p 6

[Interview with Abulfaz Elchibey, Azerbaijan's former president, by MOSCOW NEWS observer Sanobar Shermatova: "Former President of Azerbaijan Does Not Rule Out a Comeback"]

[Text] According to some estimates, Azerbaijan has 1.5 times as much oil as Saudi Arabia. In the final analysis this fact and the country's convenient location determined the clash of the neighboring states in Azerbaijan. Azerbaijan's former president Abulfaz Elchibey is interviewed by MN observer Sanobar Shermatova.

When you were president, Mr. Elchibey, you tried to turn the country's political course away from Russia and towards Turkey and the West. Did you realize that the consequences of this course could be very serious for you?

To some extent yes. I did not think that I would hold on for a whole year and allowed myself at the most 3-4 months. At the same time I pinned my hopes on Russian democracy and the West. I wanted to believe that Azerbaijan would begin to speak with Russia not as a slave does with his master, but in the language of civilized states.

What was your top priority during your presidency?

It was to build the economic basis for Azerbaijan's independence and to end the war. These aims were mutually interconnected. There was, for instance, the agreement with a consortium of nine oil companies to lay a pipeline. According to one proposal, the oil pipeline would pass on Armenia's territory. This was better than running it through Iran, for it would be 18 kilometers shorter, and Western companies prefer to be partners with Armenia, not Iran. We had contacts with the Armenian leadership. They were agreeable, but said frankly: "Neither you nor we will be allowed to do this." This variant would have enabled Armenia to get a profit of 100 million dollars, which would have ended the war. But Russia had its own plans for Azerbaijani oil. It proposed to lay the pipeline along its territory and transport it through Novorossiisk port, or to transport it through a "Friendship" pipeline.

The territory of Azerbaijan has been historically an arena of rivalry between Russia, Turkey and Iran. Your pro-Turkish orientation is cited as one of the regions why you lost power.

Yes. We Azerbaijanis have a special attitude toward Turkey. Our kinship is based on the language, common Turkic roots and secular mentality. Besides that, Turkey to us is a window to the West, to high technologies, and to economic prosperity. Why should we reject all this?

It is interesting to note that when you were in power, Azerbaijan's No. 1 foreign economic partner was not Turkey but Iran, a country which you criticized sharply. Britain was in second place and Russia in third. What caused your negative attitude to Iran, with which Azerbaijan has a common border and maintains close economic relations?

There are 20-25 million Azerbaijanis living in Iran, who don't have a single national school. Not only are Azerbaijani national sentiments being trampled on, but their human rights as well. Can we tolerate the oppression of our brothers? When I came out against the oppression of Azerbaijanis in Iran, I did so not as president but as a member of the People's Front whose program includes solidarity with oppressed brothers. I believe that they will be free.

Was there any reaction to your statements against Iran?

Naturally there was. The Iranian intelligence service worked very actively in our republic. We felt this. The work was done in two ways: they collected intelligence data and distributed religious propaganda. Azerbaijanis, like Persians, belong to the Shi'i branch of Islam, and the promotion of the way of life adopted in Iran after Khomeini came to power was conducted in many Azerbaijani mosques. Iran's parliament allocated 100 million dollars to conduct propaganda in Azerbaijan. We had information that money was distributed among young people who expressed a wish to study at religious educational establishments. It was also used to construct mosques and support pro-Iranian religious leaders. We knew all this, but I did not pay serious attention to these facts. Azerbaijanis are mainly secular people, which is one factor impeding "Iranization." Another important factor is that, as commonly happens, money allocated for propaganda of Iranian values simply ends up lining someone's pockets. The Iranians allotted money for the construction of three mosques in Baku and Gyandzha, but the mosques have not yet been built. I think that the desire for profits will ruin many of these initiatives.

Do you intend to come back to power, Mr. Elchibey? If you do, do you exclude having Russia and Iran as close political partners?

I believe that the Popular Front, allied with other democratic forces, will come to power sooner or later; it is only a question of time. I stand for close economic ties with neighbors, including Russia which, I think, will in time recognize our right to democracy and independence

in foreign-policy matters. I would also like to find states in the West and Israel who could help balance the strong Armenian lobby.

GEORGIA

Ambassador Abashidze on Europe's Interest in Georgia

944K0844A Tbilisi SAKARTVELOS RESPUBLIKA
in Georgian 14 Jan 94 p 1

[Sakinform interview with Zurab Abashidze, ambassador to the European Union and diplomatic representative to NATO: "European Union's Interest Focuses on Georgia"; time and date not given]

[Text] It has been six months since Georgia opened its embassy in Western Europe, in the European Union in Belgium.

Sakinform's correspondent asked Zurab Abashidze, the Georgian Republic's ambassador and diplomatic representative to NATO, to answer some questions.

[Sakinform] Can you summarize the activity of your mission—our first embassy in Western Europe—at year's end?

[Abashidze] Officially our activity in Brussels began last June. The establishment of the embassy involved many technical and organizational problems. We had to solve them quickly, because Eduard Shevardnadze made an official visit to Brussels on 21-22 June and met and talked with Belgian and NATO officials. You can imagine the significance of preparing for such a high-level visit in a time of complex political events. Starting our activities on such a "high note" afforded many opportunities. First, we saw to it that the problem of Georgia (in particular, Abkhazia) was the topic of systematic discussion in NATO. We managed to defend our position at meetings on various levels and have it recorded in internationally important documents, for example, the well-known Statement of the NATO and North Atlantic Cooperation Council and the European Parliament's November Resolution. Anyone who thinks these documents have no force is wrong. Time will tell.

Our embassy has regularly supplied information and materials on current events to the appropriate NATO bureaus, also the Eurocommission, European Parliament, the European Council and diplomatic corps. The press has published numerous reports based on these materials.

[Sakinform] Could you say that these international bodies now have a more complete and objective understanding of Georgia?

[Abashidze] These organizations, especially NATO, have many sources of information. Most important, Georgia's embassies in Belgium and the U.S. enable us to get more actively involved in day-to-day international events; this is an absolute necessity for any modern state. Now it is up to us how seriously we are represented in the international arena. If you are interested in our foreign colleagues' opinion, it is a pretty good start.

Of the former Soviet republics, for your information, Russia, Ukraine, the Baltic countries, Kyrgyzstan, Armenia, and Moldova have opened diplomatic missions in Brussels.

[Sakinform] What can we expect in the future from our relations with NATO?

[Abashidze] Our interest in NATO is understandable—and the interest is mutual. The changes that have taken place in Central and Eastern Europe in recent years have prompted serious changes in NATO's military and political doctrine. During the Cold War the main thesis was to ensure the West's collective security against the Soviet threat; now the cornerstone is to get Eastern and Western Europe, and especially Russia, involved in joint political processes—with priority given to the West's strategic interests, of course. At the same time, NATO is following events in Russia closely and maintaining its own defense capabilities. NATO's boldest move toward the East is thought to be the creation of NACC, the North Atlantic Cooperation Council. Besides NATO's 16 members it includes Eastern European and former Soviet republics. At the initial stage, NACC was set up as political consultative body that was designed to be more "educational" than practical. Still, meetings on the foreign ministerial level, ambassadors' and experts' conferences, and numerous seminars and consultations were designed to reconcile positions and foster cooperation in foreign policies and defense. It has now become clear that the West, especially NATO, sees much more promise in this council than it did a year ago. Politicians and experts think that NACC could turn into a major mechanism of Western-Eastern military and political integration. There is already some talk of giving NACC the right to perform certain operative functions, in particular peace-keeping operations.

I don't think we have yet fully realized the importance of Georgia's participation in NACC; it marks a first step toward bringing us closer to Western defense structures. I think the current year is very promising in this regard. A foreign ministers' meeting approved the Council's working plan for 1994, which, *inter alia*, calls for joint military exercises; this would be especially valuable for our army, which is in the formation stage. In May, our military specialists will begin to train in NATO training centers. There is extensive discussion now in the West (NATO in particular) concerning America's new "Partnership for Peace" initiative, which calls for raising NATO's relations with Central and Eastern Europe to a new level. What that actually means will become known after the meeting of officials of NATO's member states.

[Sakinform] Might NATO armed forces get involved in the Caucasus, for example to restore stability in Georgia?

[Abashidze] Such a move could happen only under UN auspices and would first require a joint decision of NATO's members. Remember, that "aggressive bloc" has never been involved in armed conflict. Even in the heart of Europe—former Yugoslavia—UN forces are

only involved in humanitarian aid. NATO is especially cautious toward the former socialist countries, believing that a hasty rapprochement could infuse NATO's environment with the events and elements of conflict that are characteristic of the East at this stage—spreading our infections to NATO, so to speak. The opinion in the West is that NATO's intervention in the affairs of the former socialist countries would only strengthen anti-Western and revanchist sentiments in Russia, which is still suspicious of that organization. Consider, also, the experience of UN forces' actions in former Yugoslavia and Somalia, which didn't exactly produce positive results. So, judge for yourself.

[Sakinform] What practical steps were taken to broaden our relations with the European Union in 1990 [as printed]?

[Abashidze] Let me start with the practical aid the Union provided. In 1993 this association of Western Europe's 12 leading countries again allocated us 40 million ecus in earmarked credit, which will soon be used to supply Georgia with wheat, margarine, sugar, and medicine (our creditors aren't going to hound us for this loan). We have been allocated humanitarian aid (a gift) of six million ecus' worth of fuel oil which will come to Georgia in January to relieve the energy crisis. The Union has allocated an additional three million ecus to help refugees from Abkhazia. An agreement on textile trade has been signed to enable us to export our goods to the European market without any restrictions whatever. An agreement of this sort is viewed here as a bigger gift than the other millions mentioned above.

A program called TAS has been completed that calls for the European Union to give Georgia technical assistance in 1994. It will involve the transfer of know-how and the drafting of specific programs in priority spheres such as privatization, agriculture, and specialist training. A high-level Eurocommission delegation came to Tbilisi in mid-December to coordinate the program.

Keep in mind that, however provisional it seems to us, the West is going through its worst economic crisis since World War II. Compared to the former Soviet republics, nevertheless, Georgia has actually benefited from the European Union's special concern in the past half year.

[Sakinform] You have talked mainly about Western aid. What is being done to turn it eventually into bilateral, mutually beneficial cooperation?

[Abashidze] Trends in cooperation are taking shape. Work is already underway on a vast project to create a modern Europe-Caucasus-Asia transportation line. We are of course very interested in having Georgia involved. At an international conference in Brussels last May the first practical step was taken to implement the project and protect our interests. Now we're trying to have the next international meeting held in Tbilisi. I don't want to get ahead of events, but if we achieve our goal, our country will have new functions and importance in the world.

Work will begin in May on a big agreement between Georgia and the European Union concerning partnership relations. This political and economic agreement will be of historic importance in terms of integrating and bringing our country closer to European structures.

Western business circles are especially interested in Georgia. I'm certain that after peace and political stability are restored, which should happen in 1994, our country will begin to rebuild.

Minister Kereselidze Views State of Nation's Industrial Base

944K0845A Tbilisi SAKARTVELOS RESPUBLIKA in Georgian 19 Jan 94 p 2

[Article by Georgian Republic Industry Minister Vladimir Kereselidze: "A Turnaround Year. Our Industry Yesterday, Today, Tomorrow"]

[Text] The past year added many bitter pages to Georgia's history. This must not happen this year. Whatever it takes, we must restore our economy to health and turn people back to the economy. This is the aim of the head of state's 18 December 1993 edict directing the various ministries, state committees, departments, concerns, and other structures to work out programs and plans to be activated in their departments and systems in order to solve the crisis and restore stability.

What is the republic's industry doing in this regard? It is, after all, a key sector of the nation's economy, accounting for a third of our national income and over half of the gross social product. The Industry Ministry today supervises mining and metallurgy, chemicals, machine-building, light industry, lumber and woodworking, the medical industry, and other multisector complexes, and takes part in formulating and implementing unified policies to develop them. It must play a crucial role in implementing programs to solve the country's crisis and restore stability. That is the subject of this article.

The social-economic processes taking place in industry today show that the sector is firmly on its way to market relations in the economy. Still, the results of the activity show that the transition is proceeding painfully under difficult political and economic conditions. Output is falling, and hyperinflation is rampant.

Like the other economic sectors, industry is in a deep crisis. Even year before last (to say nothing of 1992 [as published]), production volume declined precipitously. The causes are many, but the main ones have been the country's political instability, banditry and lack of roads, the breakdown of money and credit relations, and the breaking of traditional economic ties. Due to the inefficiency of our customs service, stocks of hides, wool, timber, and other essential raw materials are being taken out of the country. The sector suffers from acute shortages of fuel, electricity, supplies and raw materials, so that a big part of our industrial potential is out of

circulation (and resulting losses add up to tens of billions). In addition, privatization has been hampered while the state sector is not functioning well.

For the past three years, industry has been operating by inertia, without any advance plans or programs, thus creating an atmosphere of irresponsibility and laxity. Unsound policies have generated certain difficulties between production and the ministries and left their mark on the whole economy. Unfortunately, some high officials are still acting that way.

Over the years, enterprises under all-Union jurisdiction went unsupervised. The lack of state orders has forced them to lay off mass numbers of engineering-technical personnel and specialists. Through disuse, many installations have broken down, and much equipment has been sold off improperly. In addition, privatization has often been carried out illogically and harmfully.

We could go on listing the objective and subjective causes of industry's failures, but the Ministry cannot afford a policy of whining and blaming others.

Sad to say, the crisis has reached the pathetic stage; there is no room to retreat. What we need now is in-depth analysis, measures to correct mistakes and find our proper way—especially now that we have Head of State Eduard Shevardnadze's edict "On a Program To Overcome the Crisis and Restore Stability" to guide us.

The ministry is doing intensive, fruitful work in this regard. We are encouraged not only by our economic potential and irreversible reform processes but also by vitally important changes due to the restoration of traditional ties with former Soviet republics in all industrial sectors. We are also encouraged by contacts with other foreign countries.

The first steps have been taken in this regard. We have signed documents with the Russian Federation's Military Industry Committee and Machine-Building Committee, also an agreement with its Metallurgy Committee and with the appropriate departments of other republics. We have an intergovernmental agreement in the military industry sector (on technical-economic, scientific, and cooperative relations) which exempts organizations in this sphere from all quota-allocation [Russian kvotirovaniye], licensing, and customs fees.

The ministry is firmly on its way to a market economy. We are doing everything we can to create the organizational and program base to implement radical reforms as quickly as possible. For this purpose we have set up an actively functioning Reform Headquarters. Our task is:

- to achieve a certain level of balance and regulation in sectors of industry;
- to stabilize the production level of traditional products and to turn out world-standard, advanced products on the basis of structural transformations of the economy;

- to organize the production of strategically-important goods, to diminish state influence on other sectors and enterprises, and to privatize them in an expedient and timely manner;
- to foster the development of promising programs of industry in all approved and lawful forms and give the green light to market structures;
- to enhance the competitiveness of leading industrial sectors and, on this basis, put them into the orbit of world markets and integrative processes;
- to make optimal use of the country's geopolitical factor, adopt leading foreign and domestic technologies, effectively exploit local resources, and meet the demands of the domestic market.

Industry cannot develop properly unless regulating parameters are made part of production management. This refers to indicative planning and other market mechanisms which have considerable mobilizing power. Soon we will have a specific-action, integrated inter-departmental and intersectorial program and comprehensive plans to be created jointly with the Saknavtobi, Saknergo, and Sakgazi departments.

For the first time in recent years, the ministry, enterprises, and organizations have jointly worked out a specific-action program (for 1994) designed to halt production decline and take comprehensive measures to stabilize production. It is not a plan imposed from above but a program conceived by the enterprises themselves to generate optimism and exert mobilizing power. We think the republic's industry can double its output over the 1993 level, which will be reflected in the overall end results, especially increased contributions to the budget.

This alone, however, is not enough to achieve a real turnaround in the economy, which cannot be done solely with present resources and reserves. We need to attract foreign investment, which requires a favorable political and economic atmosphere and real, concrete efforts to interest investors.

During the time of transition to the market, when many enterprises face the threat of bankruptcy, it is the ministry's crucial task to look realistically at their prospects in boosting the republic's economy. We want to set up an investment fund for industrial reconstruction and development—that is, a strategic transformation fund designed first to stabilize the work and then to foster accelerated development of priority directions.

We are pursuing a vigorous policy of structural transformations. The ministry (whose apparatus includes 16 scientists) is working to perfect industrial sectors in accordance with their existing situation and prospects. I have in mind the enterprises' technical base and their cadres' ability to turn out high-quality, competitive goods, prospects of supplies of raw materials and manufactured components, anticipating sales and market

conditions and meeting domestic market demands, and ecological, social and other factors.

Still, our main problem this year is to speed up privatization. A state privatization program is being formulated and implemented, which calls for the phased privatization of systems, enterprises and organizations in three main directions: converting a certain number of state enterprises into stock companies; buying out leased property for collective ownership; and selling enterprises by competition or auction.

The ministry is involved in the work of privatization commissions; it examines and approves privatization plans and monitors their implementation.

True, joint-stock company formation is proceeding slowly, but that cannot be blamed on the ministry's position. In fact, the ministry is encouraging effective privatization and joint-stock company formation efforts. We are convinced that the prime task is to convert inefficient state properties into efficient private properties. This will result, of course, in a diminution of the state's role in management. It does not, however, entail any corresponding weakening of state control. Transition to the new structure must be made in a way that preserves the production potential. This is what is most vital and important now. Probably, moreover, the laws and statutes on privatization need to be overhauled. We think, for example, that we need to make a timely decision on procedures for distributing funds generated by privatization. These funds must be used to remodel and develop fixed assets at the ministry's disposal which are not subject to privatization. Otherwise it will be too hard, given the unprecedented budget deficit, to assure the necessary investments in the economy. We think this approach is a realistic way to get out of the crisis. Privatization must not result in the loss of our accumulated industrial and scientific potential.

The state privatization program will create a new stage in the republic's economy. It will certainly result in shaping subjects adapted to the market environment, and in addition to boosting economic activity they will take responsibility for the end results. Naturally, the ministry's organizational activity will take on new content and should be reflected in overall efforts to boost the economy.

In addition, the ministry is paying close attention to the care of defense industry factories and problems of their conversion. We are trying to activate research institutes in the sector and supply the Georgian army's military equipment needs by means of technical cooperation with the enterprises.

It is gratifying to note that the UN's Industrial Organization has complied with our ministry's request and has allocated 150,000 dollars for the development of operating enterprises.

Investment brochures for every sector in the system have been developed and published in English for foreign

partners, giving specific proposals. Relations with the Islamic Republic of Iran are being developed. Preliminary talks on future cooperation have been held with business representatives of Australia, Austria, Germany, Ethiopia, Turkey, Italy, and a number of other countries.

Another thing. In order to assure radical reforms in industrial management, the implementation of the country's accelerated socio-economic development, appropriate activation of commodity-money relations, and major strengthening of the role of credit and money circulation, we think it is advisable to create a specialized state commercial bank for industrial reconstruction and development. We are also counting on the International Machine-Building Bank that is now being formed (our Ministry is one of its founders). It will take care of clearings between countries and do much to foster economic ties with foreign countries.

Hence, the problems of industry are not the concern of the Ministry alone, although under the right conditions it can take the lead role in the national economy. Indeed, industry's priority in solving the country's most important tasks is unlimited, and we hope our ministry, through joint efforts, can successfully cope with the tasks it faces.

Deputy Explains Talks With Duma Factions

944K0848A Moscow OBSHCAYA GAZETA
in Russian No 9, 4-10 Mar 94 p 2

[Interview with Vakhtang Rcheulishvili, deputy speaker of the Georgian parliament, by OBSHCAYA GAZETA correspondent Yelena Imedashvili; place and date not given: "Deputies Hope for Accord"]

[Text] The Russian-Georgian agreements reached during President Yeltsin's visit to Georgia are causing controversy in both Georgia and Russia. The parliamentary majority in the Georgian Supreme Council has come up with an initiative to hold an interparliamentary dialogue with Russian State Duma deputies. Our OBSHCAYA GAZETA correspondent contacted the head of the Georgian delegation, the parliament's deputy speaker, Vakhtang Rcheulishvili.

[Rcheulishvili] We are aware of the irreconcilable positions of some deputies on both sides. But this is precisely why the interparliamentary dialogue is so important. After signing a broad agreement between our countries, it is necessary to do everything possible to establish partnership ties with the Russian Federal Assembly. Georgia has signed agreements on interparliamentary cooperation with many countries—Turkey, Azerbaijan, Ukraine, and Armenia. We need to sign such a document

with Russia. Interparliamentary cooperation assumes the setting up of support groups in both parliaments. The next stage is to establish liaison between various parliamentary commissions. First and foremost economic. Keeping in mind the close integration between our countries in the past and, to a certain extent, in the future. Georgia and Russia have similar problems. Both Georgia and Russia are multinational states; they have certain problems with autonomies. Both Russia and Georgia are states in the process of building a democratic society. This is a difficult road, and we have a huge common sphere of interests.

[Imedashvili] Then how do you explain the negative attitude on the part of a number of Duma deputies to the Russian-Georgian agreements?

[Rcheulishvili] In my opinion, one of the main reasons is that Russian deputies lack true information on the events in Georgia. Correcting mistakes should be a joint effort—of the parliaments, governments, and information agencies. Imperial forces are quite widely represented in the Russian Duma. But we came to Russia to talk in a calm atmosphere devoid of ideological or accusatory overtones. Over the past few years this has frequently been the mode of conversation, and has brought no good to either Georgia or Russia. I believe that we will find a common language. After all, good-neighbor relations and strategic cooperation are in the true national interest of our countries.

[Imedashvili] Are you not concerned about a potential meeting with Zhirinovskiy?

[Rcheulishvili] I am not burning with desire to meet with him, but this possibility cannot be precluded. Zhirinovskiy's fascist statements are unpleasant; however, he alone does not make policy in the Duma. I believe that his real role has been somewhat exaggerated. We will not refuse to meet with Zhirinovskiy and representatives of his faction. We will speak to all who have been elected to the Duma by the Russian people.

[Imedashvili] In which faction do you anticipate finding allies?

[Rcheulishvili] Of course, we have more in common with the democratic forces. Mostly we are interested in the 12 December bloc. It has not yet taken shape as a faction, but it is a very promising group of professionals and specialists. We expect support on the part of Russia's Choice and other factions. We count on healthy forces which understand that for Georgia, Russia will always be a great partner and neighbor, despite temporary difficulties and disagreements.

ECONOMIC AND SOCIAL AFFAIRS

Central Bank Attempts To Gain Control Over Precious Metals Market

944E0563A Moscow KOMMERSANT-DAILY
in Russian 2 Mar 94 p 1

[Article by Dmitriy Simonov: "The Central Bank Has Raised Doubts About the Authenticity of the Ministry of Finance's Gold"]

[Text] The changes in the composition of the Russian cabinet—the Central Bank's most important victory in the latest round of its bout with the Ministry of Finance—must have filled Viktor Gerashchenko, the present chairman of the bank, with confidence. His latest attempts to strengthen the bank's control of the precious metals market provide unequivocal evidence of this.

The first step in this direction was the telegram that was sent to commercial banks yesterday to explain the new procedure for using the Ministry of Finance's "gold" certificates. The document, which was compiled by the Central Bank without the ministry's knowledge, imposes strict limits on possibilities for the use of the certificates. While the Russian banks were wondering whether they could trust the Ministry of Finance's gold at all, the Central Bank quickly put the finishing touches on its own plan for the development of the precious metals market. It is designed mainly to show Russian financiers that Central Bank personnel can handle this market as well as their colleagues from the Ministry of Finance.

At one of his press conferences in January, the chairman of the Central Bank reaffirmed his dissatisfaction with the development of the Russian precious metals market and said that the Ministry of Finance had been negligent, in particular, in organizing the campaign for the more widespread use of the "gold" certificates. As a result, 50 of the 100 tonnes of gold securing the certificates were sold to the Central Bank, and it used this gold to pay part of the debt assigned to commercial banks. After complaining about the insufficient preparations for the issuance of the certificates, Mr. Gerashchenko suggested that the Central Bank had its own plan for the establishment of the gold market in Russia.

For a long time it has been no secret that the country's current chief banker has had a sincere wish to reorganize the Russian gold reserve system. When he was still the acting chairman of the bank, Viktor Gerashchenko repeatedly proposed that the State Committee on Precious Metals and Precious Stones be removed from the jurisdiction of the Ministry of Finance and that the gold reserve be administered directly by the Central Bank. There were several arguments in favor of this. The Central Bank would have gained the ability to heighten the liquidity of its own assets and regulate the amount of money in circulation quickly and efficiently by selling gold on the domestic market. Russian banks would have had an alternative to foreign currency investments, which are usually used as a hedge against inflation. This

might have strengthened the ruble. At that time, however, Gerashchenko's opponents—former Minister of Finance Boris Fedorov and former acting Prime Minister Yegor Gaydar—informed the Central Bank that the Ministry of Finance could sell gold itself. The "gold" certificates issued last September corroborated this.

After the Russian banks had gained access to the "golden altar" of the finance market, they could conduct a fairly broad range of operations. In particular, in the event of the resale of the certificates, the banks could "split" their value, equivalent to 10 kilograms of gold (just over 203 million rubles at this time), and thereby attract the attention of less prosperous investors. According to KOMMERSANT-DAILY sources, this was the intention of virtually all of the banks that bought the certificates—the Inter-Economic Savings Bank, the Industrial Construction Bank, "Menatep," Most-Bank, "Mytishchinskiy," "Russian Credit," and "Stolichnnyy."

The liquidity of the certificates, meanwhile, left much to be desired: A decision was made to liquidate them once a year. Besides this, the banks could not use the purchased gold on the international market. The recent slight decline in the rating of the certificates apparently motivated the Central Bank to promote its own plan for the organization of the precious metals market (especially in view of the loyalty of Viktor Chernomyrdin's new cabinet to the head of the Russian bank). The first step in this direction was the telegram defining the new procedure for servicing the Ministry of Finance certificates, which clearly diminished their appeal.

The telegram specifically said that, in the event of the resale of the certificates, the banks would be allowed to issue only their own bonds (instead of receipts for a specific share of the certificate, which had been a common practice—KOMMERSANT-DAILY). Central Bank staffers explained that all of the banks operating in the market for shares of certificates would have to draw up new sales documents. This would require the payment of the applicable tax (0.5 percent of the amount issued) and a registration procedure. In addition, the bonds could be issued only by banks which had been operating at a profit for the last three years, had no late payments to the budget or the Central Bank on their record, had complied with all standards, and had distributed all securities issued to date. This meant that many of the banks selling the certificates would have to collect all of the "split gold" and wait until September for its liquidation.

It is most likely, however, that the banks still have a chance of using the sold certificates more effectively. This is suggested by the absence of any mention in the telegram of the mechanism for the "re-recording" of certificate sales (KOMMERSANT-DAILY received all of this information in verbal reports from Central Bank staffers) and by the possible intervention of the issuing party—the Ministry of Finance—in this conflict. Finally, the Central Bank, which intends to publicize its own plan for the organization of the precious metals market soon,

probably will try to reach a compromise with agents of the Ministry of Finance and it needs the support of the other banks. Obviously, this will not be that difficult, because the Central Bank plan appeals more to commercial banks than the Ministry of Finance's "Statute on Certificates," and the Central Bank plans to limit the group of banks authorized to conduct "gold" operations. In this atmosphere of fierce competition, the contenders are not likely to openly oppose the Central Bank's attempts to change the rules of play in the middle of the game.

Central Bank Warns Public Against Unlicensed Firms' Banking Operations

944E0573A Moscow IZVESTIYA in Russian
11 Mar 94 p 2

[Article by Ivan Zhagel, IZVESTIYA: "Central Bank Warns: Trustfulness Is Dangerous for Your Purses"]

[Text] The Main Administration of the Central Bank in the city of Moscow disseminated a special press release, in which it called upon the capital's population not to give in to the "aggressive" advertising campaign now spread in the mass information media, in which various firms, as bait, mention a very high interest or other very advantageous terms for investing money.

It is especially stressed that the attraction of deposits is a banking operation and, in accordance with the Russian Federation Law on Banks and Banking Activity, it can be carried out only by institutions that have received the license of the Central Bank and not by those that simply include in their constituent documents the point stating that they will engage in the attraction and investment of finances.

Specific organizations, which have received licenses for the performance of banking operations, are also mentioned. Taking the importance of this matter into consideration, we will also mention them. In Moscow at present, in addition to commercial banks, the Orgbank Interbank Association, and the Rus Association of Commercial Banks for Social Development, the following have received appropriate permits of the Central Bank: the Transprogress Scientific Production Association, the International Financial Company, the Financial and Credit Society, the Atis Joint-Stock Credit Company, and the Moscow Clearing House Limited Partnership, as well as the Central Clearing House, Sovfintreyd, Deviza, the Company for Project Financing, the Moscow Clearing Center, and the Interbank Financial House, which are close joint-stock companies.

All the other commercial structures, including GMM, Tibet, and others known for their advertising, do not have such a license and, when they engage in banking operations, they do this illegally. Natural and juridical persons, who have placed funds there, risk being deprived of their money altogether. The Main Administration of the Central Bank in the city of Moscow does not claim that all the organizations engaged in banking

operations without a license are undisguised swindlers. Most likely, many simply are not familiar with existing legislation. However, this also characterizes their level of professionalism quite unequivocally, which clients should take into consideration.

Well, what punitive measures have Central Bank workers prepared against violators of banking legislation? Unfortunately, for now they are quite light and, basically, are reduced to the recommendation to these structures "to transfer their activity to official tracks, receiving the license of the Central Bank." The quite "merciless" measure lies in the transfer of the information on violators to tax services for the withdrawal of illegally obtained income from structures operating without a license.

I will not be mistaken if I assume that hardly anyone will be frightened by this. However, what can one do if Central Bank workers do not have a stable normative base under their feet to fight against violators? On the other hand, however, the Central Bank should have shown initiative and found the way to close at least one firm operating with the money of citizens and enterprises without a license—even if in order to gain the necessary experience here and to see the range of problems.

Nevertheless, to this day not a single—I repeat, not a single—organization, which violates banking legislation and endangers the financial interests of ordinary Russian citizens, has been closed or punished in any way.

Bank Consortium To Improve Bank System, Activities

944E0560A Moscow BIZNES I BANKI in Russian
No 9, Mar 94 pp 1, 2

[Article by M.S. Zotov, general director of the Executive Council of the Energy Association of Independent Commercial Banks, under the rubric "Competent View": "On Perfecting the System of Banks and Banking"]

[Text] In two and a half years the Russian banking system has undergone great changes, drawing considerably closer to a market economy. About 2,000 commercial banks with more than 3,500 branches are already in operation (the branches of the Savings Bank are not included). Banking structures such as mortgage banks and trading houses have already appeared.

Banking associations are being created in the interests of concentrating the capital of banks to achieve investment objectives. Undoubtedly, the associations will play a great role in the stabilization of the economy, the reproductive process, and the development of the priority sectors of the fuel and energy complex, enterprises of the metallurgical complex, and others. Some banks have reached world standards or come considerably closer to them. Mosbiznesbank, Promstroybank, Elektobank, Promstroybank (St. Petersburg), Kuzbassprombank, Kredobank, and others (a total of 30-40 banks) may be

considered such. However, this is extremely insufficient. The process of perfecting banking establishments should be stepped up.

Despite the successes noted, we are still far from accomplishing all the tasks in the area of perfecting credit extension, monetary regulation, and settlements. Major miscalculations and omissions have occurred during the period of restructuring of the banking system and of upgrading its technologies. At the first stage, many banks were created under ministries and enterprises and were used by them as a channel to procure funds. Many legal and other important issues have not been fine-tuned. In view of this, urgent measures are needed to enhance the role of the Central Bank of Russia and of commercial banks in regulating the economy.

The priority of national rather than commercial objectives should be the fundamental platform of the Central Bank. For this reason the Central Bank and its organization should not directly engage in the extension of credit to enterprises. Otherwise they will acquire their own commercial objectives which may run counter to national ones.

Proceeding from this fundamental premise, the Energy Association of Independent Commercial Banks considers it necessary to revise the structure of the main directorates and divisions of the Central Bank. There is no need to have Central Bank subdivisions in each oblast and rayon. Nine to 10 main territorial directorates would be quite sufficient. On 9 November 1993 the Energy Association submitted proposals to the Government of the Russian Federation concerning the above issue, as well as the issue of the establishment of an independent credit committee which should not report to the government or the Central Bank.

This act was caused by the need to establish order and discipline in compliance with financial and other legislation, as well as with the rules for credit, monetary, and settlement operations. Systematic control by the credit committee and the Central Bank over the operation of commercial banks will become the most important guarantee of liquidity in the banking system, smoothness of payments, and stability of the financial status of companies and associations.

It is necessary to create a council in the Central Bank of Russia which would develop policy in the area of monetary circulation, credit extension, settlements, and stabilization of the ruble and its convertibility. The entire range of these issues should be coordinated with the socioeconomic policy of the state. We should be guided by strategic tasks in the area of the economy and the tax policy developed by the government. In essence, at issue is the policy council defining major economic problems to which it is necessary to apply credit, thus facilitating the accomplishment of socioeconomic tasks and the stabilization of monetary circulation. The council would include four or five representatives of commercial banks, three or four representatives of industry and agriculture,

and two or three representatives of the economic sciences. All of them would be confirmed by the government. It is feasible to include in the council specialists from the Ministry of Finance and the Ministry of the Economy in a consultative capacity. The council should be headed by the chairman of the Central Bank of Russia. The council would submit its analytical studies and proposals to the Board of the Central Bank and the Government of the Russian Federation. The decision to create the council would be adopted by a special edict of the president. We should not wait for the adoption of the Law on Banks and Banking to do this.

Funds allocated by the government from the budget or received in the form of credit from other states under intergovernment agreements for investment in special-purpose programs in priority sectors and other key undertakings (conversion, new development, major scientific discoveries, and so on) would be financed through the State Investment Bank which, in the interests of a general state investment policy, should be subordinated to the Ministry of Finance. It should not be directly involved in raising funds; however, the bank may finance individual facilities and programs while attracting the capital and resources of commercial banks. Such financing should be provided on a competitive basis. In this situation, the state would act through the Investment Bank as a catalyst, influencing investment and attracting private capital in the national interest. This will considerably enhance the role of credit in the reproduction of fixed assets.

Now about the system of commercial banks. Many of them are unable to fully support the interests of companies and associations because of insignificant joint stock and ownership capital. At present, credit support is mainly provided for brokerage operations and the generation of high rates of profits by banks, whereas the stabilization of the economy, its development, and the generation of a high rate of profit by economic entities should be the main goals of operation of the banks.

Perfecting the structure of commercial banks is the most acute issue. The creed of a bank is to be a reliable partner to its clients. The interpretations of goals and tasks in line with this would indeed facilitate the strengthening of the economy and the stabilization of the monetary system. This is why measures are necessary to perfect the system of commercial banks, to reinforce discipline, and to enhance their responsibility. For example, it would be feasible for the Central Bank, jointly with auditors, to audit the operations of some commercial banks. The operation of the banks and their final results cannot be separated from production, which has declined catastrophically. Many plants are shutting down, while the assets and profits of banks are growing. Some banks allow debit balances to occur. This is the most egregious violation of financial discipline which exacerbates inflationary processes. Licenses to engage in banking operations should be revoked on account of this, as well as for deviations from the principles of extending credit to

material production, and such banks should be transferred to the class of subsidiary banks or branches. The actions of the Central Bank should be resolute in this instance.

The interests of economic stabilization, the reproductive process, and technical progress require that the capital of banks be concentrated. In conjunction with this, new banking structures should be formed—banking associations, banking finance companies, and other banking structures. Banking associations should be created on a joint-stock basis. Banks, insurance companies, financial companies, and financial industrial groups should be their founders.

Taking into account the size of the territory of Russia, it is feasible to create territorial commercial and local banks that will service regions of the country. There may be nine or 10 such territorial banks. Their task would be to ensure the raising of funds and to marshal them for the development of the economies of their regions. It appears to us that issues such as price equalization and a switch to operations without subsidies from the budget will be resolved faster in the regions. The regional banks may become the nerve centers for ensuring the economic information necessary to evaluate the general economic development of the regions, as well as that of individual clients. This is also very important for the bank itself in devising a strategy and action plan for both the long term and shorter periods of time.

In view of the great significance of the task of stabilizing monetary circulation, reining in inflation, and reducing prices for consumer goods, it is necessary to sustain this area in every way possible with credit, and tax and interest-rate incentives. Banks that allocate 10-15 percent of internal resources to set up shops producing consumer goods should have the right to have this proportion of the resources exempted from the payment of taxes.

Since the Savings Bank has the most extensive chain of branches, it is necessary to assign to it the task of facilitating the development of small businesses through credit. This solution will make it possible to make considerable progress on this issue and to saturate the market with the necessary goods. Of course, the interests of depositors should be taken into account in the process. In conjunction with this, a norm should be set in keeping with which resources should be allocated for credit.

Credit and the interest rate policy should be used as instruments to implement economic development, taking into account the specifics of its individual stages in devising concrete approaches and measures to carry them out. Instruments should be developed which make it possible to pursue a credit and monetary policy by way of controlling the emission of money.

We should ensure that the operation of the entire banking system, in cooperation with the state organs of

government, be directed toward accomplishing the strategic tasks of economic development of Russia. In conjunction with this, it is important to continuously analyze the economic situation in the country and factors that influence changes in it. Based on this, the necessary measures should be taken within the limits of one's jurisdiction, and issues that require government decisions should be referred to the government for consideration. To this end, the Central Bank and commercial banks should have highly skilled specialists—analysts on their staff.

For the purposes of objective assessment and substantiated measures to regulate monetary circulation (cash and noncash) it appears feasible to poll, on a quarterly basis, large and medium-size corporations and associations on issues of trend projection. To the same end, the banks should review existing indexes of prices for certain commodity groups for corresponding periods, with a considerable number of enterprises being covered.

The Central Bank should vigorously influence the restructuring of the economy of the country in keeping with the requirements of the market and the strategic tasks of the state by way of regulating credit resources and establishing substantiated, differentiated norms and interest rates.

It is important to invigorate the extension of credit that would promote the intensification of production and the development of market relations, stabilization of monetary circulation, and prevention of illegitimate credit expansion. It is necessary for the Central Bank to establish a firm limit on the increment of credit. Limitations should be based on realistic calculations which take into account increments in the volume of production, sales, and the number of economic entities served. The role of credit in investment should be enhanced sharply; the proportion of credit should be brought to 20-30 percent of the total amount of capital investment (at present, it stands at 3.5 percent). It is feasible for commercial banks to allocate up to 30 percent of resources to the long-term credit fund (FDK), and to use these resources first of all for the retooling and upgrading of the production sphere. In cases in which economic entities do not have sufficient internal funds for capital investment, they should be granted the right to effect accumulation in the FDK account. Once 70 percent of the amount necessary to make capital investment in the envisioned facility is attained, the bank should open credit for the remainder of the amount. In this instance, the bank would set the interest rate 30 percent below the average market rate. If accumulation in the FDK account was effected over two or three years, the interest rate may be lowered by 40-50 percent.

Limitations on credit for banks (and their branches) should be introduced in the interests of reinforcing monetary circulation and stabilizing the economy. At issue are limits on special-purpose allocations to carry out the programs of priority enterprises; limits on regular credit to be extended to medium-size enterprises and for

uses with the short recovery of funds; limits of consumer credit (including that for the development of small businesses and housing construction); and regular limits for brokerage and other purposes.

Along with the setting of norms for the excess of credit indebtedness over the capital of the bank (20-fold at present), certain norms for the issuance of large loans should be established (for example, five to seven large loans should not be greater than three to four times the excess, and all large loans—greater than six to eight times the size of ownership capital). The practice of the last three years indicates that 95-97 percent of credit resources are issued for periods of one to three months for brokerage and current uses by enterprises, which causes economic and financial complications in the operation of enterprises and associations. The introduction of limits is a temporary measure devised for a period of transition. However, it will provide an opportunity to orient the bank toward production which is absolutely necessary in the existing economic situation.

As a rule, credit resources would be provided to commercial banks against the pledge of enterprise securities. This would be one of the measures of real backing which is necessary to stabilize monetary circulation.

It appears to us that the Central Bank of Russia should have a clear-cut program for stabilizing monetary circulation and reinforcing the convertibility of the ruble. This program should call for a phased approach to the attainment of the goals set, as well as measures that commercial banks should take. It is necessary to envision in the program the gradual abandonment of centralized resources. All budget support should be provided directly through the financial organs.

Of course, the above does not exhaust the entire multitude of issues of perfecting the banking industry. However, we are convinced that it is necessary to solve the problems that have been touched upon in this article. We believe that we will meet with understanding from the broad banking community, and that bankers will contribute considerably to accomplishing the task of stabilizing the economy, which is vital for our country.

Conversion of Foreign Currency Credits into Rubles To Boost Economy

944E0572A Moscow *FINANSOVYYE IZVESTIYA*
in Russian No 10, 10-16 Mar 94 p III

[Article by Mikhail Delyagin, Institute of Economic Problems of the Transition Period: "Conversion of Currency Credits Helps Regenerate Russia's Economy"]

[Text] The gradual, but steady stabilization of the ruble, as far back as the middle of last year, compelled us to seek more refined mechanisms for currency operations.

The most promising, and at the same time most complicated of them has now been singled out: conversion of foreign currency credits into domestic ruble credits. The

difference between the interest rates on world markets (from 3.5 to 17 percent) and in Russia (the Central Bank discount rate, let us remember, is 210 percent), given the slow rise in the dollar exchange rate, is fully capable of compensating for even the high risk of investments in Russia.

The financial sphere is very conservative. In order to take low-interest credits on Western markets, one must have great prestige and reliable guarantees. The instability in Russia makes it so difficult to obtain them that today it makes the mechanism described inaccessible even for the most serious structures.

The most widespread method of surmounting the difficulties involves using Russian capital located overseas. For example, the capital legally circulating there can be used as a guarantee of the redeemability of Western currency credits, subsequently being converted to ruble credits in Russia.

A promising route is to sell sizable blocks of shares of major Russian structures, allowing potential creditors or guarantors to control them, in order to win the necessary confidence.

The largest Russian banks today are studying mechanisms to provide other Western guarantees and to draw in low-interest currency credits. At the same time, one should emphasize the exceptional profitability, and this means also the exceptional scale, of the forthcoming operations, which does not simply lead to enriching individual commercial structures, but has a major influence on the entire development of Russian society.

The spare capital of the world economy many times exceeds the entire monetary mass circulating on the territory of our country.

As a result of the strong conservatism of the financial market, this change in investment volumes will be quite smooth, and society will most likely succeed in adapting to its individual manifestations. The scale and depth of the influence to which Russia is to be subjected in the next few years, however, makes it necessary to foresee at least its basic consequences, which should not take us unawares—as, for example, when the catastrophic exacerbation of the deficit (depressed inflation), connected with the mass pumping of non-cash monies into the wage fund, took us unawares in 1988 and 1990.

The influx of currency funds is capable of replacing the administrative mechanism of the infusion of centralized funds with the market mechanism and therefore, with the much more effective mechanism of an infusion of commercial credit. Under these conditions, the variant, approved in world practice, of a unified emission mechanism, in which the increase in the national monetary mass would be limited by the influx of foreign currency, would be fully applicable. It is this mechanism which improved the war-destroyed financial systems of Europe

and Argentina (the latter was poised on the brink of hyper-inflation, periodically breaking down into it, over a period of six decades).

In this way, we would by-pass major acceleration of a rise in prices. The possible surpluses of the monetary mass would be small and would be compensated for with the aid of the "fine tuning" of the Central Bank (an efficient change of the discount rate and norms for reserves, differentiation of the latter by types of assets) and with the aid of the natural expansion of the markets (through the share market and the real estate market).

The effect of the "currency vacuum cleaners" may become the most important instrument for surmounting the economic crisis and the main path to regenerating Russia as a supreme power. They should therefore be supported to the utmost by the state, right up to creating the corresponding insurance funds for the capital coming into Russia.

Privatization Plan Seen as Utopian

944F0373A Moscow ROSSIYSKAYA GAZETA
in Russian 24 Feb 94 pp 1, 3

[Article by Sergey Alekseyev, corresponding member of the Russian Academy of Sciences, chairman of the Research Council of the Center for Private Rights under the president of the Russian Federation: "Under the Spell of the New Utopia: About Old Errors and New Ways To Develop Privatization"]

[Text] Utopias are tempting, insidious, and diverse in their characteristics; but attempts at their practical implementation are one and the same always and everywhere—the imposition of impracticable schemes on people, coercion, and the inevitable shattering of illusions.

That is what happened with the Marxist utopia of communism.

That, alas, is what in many ways is also happening with one of our new utopias—the privatization program that is being implemented now.

Privatization Socialist Style

It is difficult to understand the reasons that conditioned the rather broadly and persistently propagandized opinion that the privatization being conducted in Russia at the present time is radical and "of the people"—the kind that will create an extensive class of private property owners and that will include almost all Russian citizens in this middle class. For if we divert our attention from the forceful and bombastic declaratory statements of the supporters of such a program (set, by the way, by the RSFSR Supreme Soviet according to its own principles), then it is not difficult to see that in a number of its features—fortunately, not in all of them—it is utopian, and in addition to this it has a leveling, orthodox-socialistic character.

First, the program is being conducted in such a way that the main part of the national wealth remains under state domination. The volume of properties being received by vouchers is trifling (for each, the "note" has a value on the order of about one-fourth of an average monthly wage, or \$15). All of the natural resources, "public" enterprises, and controlling blocks of shares of stock of a majority of the enterprises converted to joint-stock companies remain with the government.

Second, the distribution itself of state property by vouchers takes place according to the socialist principle—the division of property among all fellow citizens "as equals." And if such a division under conditions of deeply rooted private property attitudes (as, for example, in the Czech and Slovak republics) is capable of reinforcing these attitudes and expanding their subject makeup, then, under conditions of the domination of state property and the until now the indestructible parasitical-consumer psychology of a majority of the population, a similar result is possible, but then this is not always, only during the use of vouchers for the acquisition of property by the "labor collective"—however, with all of the contradictions inherent in the given method of privatization.

Third, that which in Russia is now called "privatization" is built on an understanding of property that corresponds to socialist concepts that equate property with wealth, benefits, and the source of a mellow and carefree life (the idea of its division "as equals" comes from this).

Meanwhile, property in the economy is not so much a consumer blessing as much as a burden and responsibility—a material basis for the application of intensive labor, enterprise, risk, brains, and talent. Its main criterion and indicator are "one's own" investments and the investment of profits in production. It is this effect that private property gives under conditions of competition and market rivalry. And, consequently, the general task of real privatization does not consist in dividing objects of property "as equals," but making property really private and, consequently, an incentive for intensive labor, an increase in labor productivity, a factor of responsibility for work, and a force that motivates "personal" investments.

The Insidious Voucher

It is necessary, of course, to see that the privatization being conducted currently has positive aspects (as, by the way, some facets of socialist concepts are not without sense). It "turned" Russian citizens toward questions of property, and the rudiments of business appeared.

The fundamental deficiency of the ongoing privatization program is that it is aimed at the implementation of utopian ideas—to make all citizens of Russia private property subjects with the help of privatization voucher-checks.

Well, vouchers have a known moral significance: They are evidence that the state is a debtor to its own citizens; in some measure, vouchers can have the character of temporary material assistance to citizens.

But it is impossible in principle to transform all of our fellow citizens into private property owners—bearers of small parts of the wealth of former state property—with the help of vouchers. Not only because of the scantiness of the “portion” received and the modest prospects of acquiring incomes on the shares of stock acquired for vouchers. And not only because state property and a parasitical consumer psychology continue to reign in society. But principally because this is contradicted by the very nature of a dynamic commodity market economy, on the creation of which economic reforms are calculated, inasmuch as property-owning citizens who do not participate in production can only be property-owning rentiers who parasitize on production and on the results of the activity of property-owning producers (that is why in countries with a developed economy, pensioners, servicemen, and workers in the budgetary institutions are supported by the state and are not directly supported by property-owning producers).

It seems that already now a number of aspects of a privatization that is built on a system of vouchers has engendered a lot of negative consequences.

First, many important elements of privatization relating to production and having independent significance were “driven” by concerns for the success of the voucher system, and so that shares of stock of any enterprises being privatized could be acquired by all voucher owners.

Second, the voucher system, contrary to the purpose of property in production, is even a disincentive to work. In a situation of all-out propaganda (“gold vouchers,” “thousand percent incomes,” etcetera, etcetera), the impression is created that it is possible to receive impressive incomes at the expense of “the work of others” through shares of stock acquired for vouchers.

Third, also with respect to enterprises whose shares of stock were acquired for vouchers—this is a disincentive, inasmuch as such a procedure involves an increase in the number of people who do not work in production, but who claim a share of the profits, in a word, still another tax on profits that is not justified by anything.

Well, and the very idea of a “return” with the help of vouchers to pensioners, doctors, teachers, servicemen, and state budget employees of state property (attractive and tempting, just like all socialist ideas) is futile and without promise.

They Got What They Were Fighting Against

In behalf of the success of the voucher system, the ongoing privatization program essentially limited the rights of the labor collectives. This, in addition to everything else, alienated a substantial number of labor

collectives from democratic movements with which the privatization program is associated.

At the same time, there are a lot of reasons for the guarded and even negative attitude toward the privatization being implemented by labor collectives. After all, the “labor collectives” that were formed under conditions of the socialistic command-planning system were in themselves not adapted to economic management as property owners, and they frequently were only a cover and a conduit for commands issued by the party-administrative elite. Therefore, in the opinion of the author of these lines, the “lease-purchase” variant of privatization that operated in the past, which was optimal for post-totalitarian conditions, did not have the labor collective as the strong point as such, but the “organization of leaseholders,” which at first mastered the difficult school of “its own” economic management step by step, and only afterwards became a fully-fledged property owner.

The system of privatization in operation, which is geared to voucher distribution, nevertheless could not bypass the labor collectives, and a substantial number of the latter, having overcome by hook or crook the obstacles and impediments created for them, became “closed” joint-stock companies—property owners of privatized property. But they became “as such” without changing, and without adapting to difficult economic management as private property owners.

Well, it happens. As one of the unexpected consequences of “people’s” privatization, Russian society received precisely that against which it was fighting, and also in a worse variant. In a number of oblasts and sectors of the national economy, and in a number of localities, enclaves of the command-planning system were firmly established under the flag of labor collectives and the aegis of the old regime director corps. And now there is no need to be surprised that a base of the past party-administrative aktiv has been consolidated and that the source of the increasing strength of communist and procommunist circles has been broadened.

But What Is To Be Done?

First of all, it is necessary to see the truth, the real state of affairs. Unfortunately, until very recently the reaction of the adherents of the current programs of “people’s” privatization to critical considerations and proposals was not of a practical nature, and it sometimes ended up in irritated, peremptory cries and the application of labels to the authors of these kinds of considerations and proposals. Is it really necessary to wait for a complete crash that will also cancel the movement forward on the most complicated problems of reorganizing property in order to agree on obvious facts, to discuss debatable ideas, and to begin to make corrections in the ongoing privatization process?

Then, it is clear, it is necessary to explain oneself to the people immediately. It must be believed that the authors of the programs in effect sincerely wanted to make all Russians property owners of those riches that they earned a long time ago, and to create equal conditions for

everyone to enter the market. But then, not everything that is planned works out. The people will understand, if they are talked to sincerely and honestly. And judging by everything, it is still not too late to develop a system of compensatory measures.

The main thing is this, after preserving everything that is positive that has already been achieved in the process of privatization, to persistently spread the privatization processes directly to production. In order that private property would begin to work not only in the sphere of marketplace resales and clever currency operations, but so that it would become a powerful incentive to work.

Three measures are presented here as priorities.

First—resolute legislative and governmental support in the production of private business and all forms of private property (not “forms of private property” in general, but specifically private ownership), i.e., private entrepreneurs, intact production cooperatives, and private-collective enterprises—all of those that on the basis of “their own” property, market competition, risk, and responsibility work in the market to saturate it with quality goods and services. It is precisely with respect to such private commodity producers (but not “commodity producers” in general) that it is necessary finally to decide substantially to reduce taxes, to remove all restrictions that encroach on economic freedom, to support them with credits, to establish for them, as for all other “commodity producers” (bureaucratic subsidized state enterprises also hide behind this cunning formula) single, stable “rules of the game”—civil legislation worked out in detail.

Second—inclusion of the workers themselves in the practical relations of the private property of enterprises converted to joint-stock companies. Here, without in any way wrecking the system of already established joint-stock enterprises and their current forms, it would be quite justified to strengthen and enrich this system, conditionally speaking, with “producer societies” established for worker-joint-stock enterprises that would have, for example, “doubled shares of stock” (*sdvoyennyye aktsii*): in order, however, that the normatively established part of the incomes for these shares goes to investment in production. It can be confidently predicted that the effect of such an inclusion of the workers themselves of converted joint-stock companies with respect to private property in the sphere of production will be significant.

Third—the kind of reorganization of open joint-stock companies (after a resolution of all questions associated with voucher privatization) when their “openness” would be oriented not on the possessors of papers, behind which there is no real wealth, but on actual domestic and foreign investors—the possessors of capital. Such a “directed openness” would make it possible, as experience indicates, to implement a structural, technical, and technological restructuring of production and

ensure a considerable increase in the productivity of labor, market vitality, and the activeness of enterprises.

These and other corrections in the ongoing privatization program will give it, as can be expected, a real and effective nature and will make it possible to put into effect the potential of private property as a powerful work incentive and a high degree of responsibility for work, which are factors in the growing investments in production. It is necessary just to free oneself of “voucher illusions” and the current utopian hopes that are associated with them.

New System for Registration of Stock Issues

944E0540A Moscow KOMMERSANT in Russian
No 6, 22 Feb 94 p 11

[Article by Yelena Makovskaya, under the rubric the “Money Market”: “New System for Registration of Stock Issues: Bankers Must Report to Future Investors”]

[Text] The Central Bank of Russia [TsBR] has published a new edition of the instructions on the system for issuing and registering securities of commercial banks. When this issue was prepared, the text was not yet in official distribution, but in the opinion of specialists, the amendments and additions made in the document should fill in the gaps left by the instructions which preceded them (No 8), which have been in effect for the last year and a half, as well as bolster the TsBR's control over the issue of commercial bank stock.

Beginning on 15 February, all Russian commercial banks must compile prospectuses for the issue of securities following a form which envisions inclusion of information on major stockholders who own more than 5 percent of the votes (as well as, in turn, the major stockholders of those stockholders). Furthermore, in the prospectus for the issue, bankers will have to indicate information on members of the council of directors, the size of their blocks of stock, and their participation in other organizations, indicating the posts (to avoid cross-holding of blocks of stock). The document must give the investor an idea of the procedure for forming the bank's capital stock and the managers of the structure in which he has decided to invest money. Until now such information has been offered only to the antimonopoly committee, which usually approves the prospectus of the banks' issue after the TsBR does.

Moreover, now the Central Bank of Russia has made commercial banks provide any investor with an issue report containing, along with the traditional information, the information listed above upon the first demand. If the bank employees “do not have a prospectus available,” the client has the right to present a complaint of improper treatment to the TsBR. If the violations do not prove to be isolated occurrences, the TsBR may suspend the commercial bank's subscription campaign.

As the chief of the securities division of the TsBR, Andrey Kozlov, announced at a press conference

devoted to putting the system for issuing and registering stock of commercial banks into effect, its creators tried to protect the investor's interests at least in the banking sector by providing him with maximum access to all the information needed to make the right decision in selecting an investment object. Andrey Kozlov noted that in the West all the moral and financial responsibility is on the investor himself when a particular financial structure goes bankrupt, since the investor always has the opportunity to obtain exhaustive information about the enterprise or the bank whose stock he is buying. But in Russia some of the moral responsibility to the ordinary citizen, who is being tempted by one ad for huge dividends after another, lies on state organs. Thus, the TsBR has decided to make a contribution to protecting the investor by suggesting that he demand from the banks a detailed issue prospectus certified by the bank manager, his chief accountant, and the auditing firm.

The new instructions, in addition to provisions which toughen control, contain a nice surprise even for bankers. Until recently, during the subscription campaign, capital obtained while the bank stock was being placed was accumulated in a special frozen account in the TsBR. Since 15 February, this rule does not effect the issue of bonds, since they are the direct financial obligation of the bank. The instructions also took into account the desires of bankers who complained that the system for capitalizing the profits of the bank stockholders which were not distributed as dividends was unclear. The document contains a social section devoted to formal accounting for the refinancing of some of the bank's profits.

The document contains certain restrictions related to the procedure for forming the bank's capital stock during the first placement of stock. A bank's founders used to be allowed to make their payments in motor vehicles, equipment, and other material assets. From now on, during the first issue of a bank's stock, contributions to the capital stock are permitted only in rubles, hard currency, or premises belonging to the founders with the right of ownership.

In explaining the Bank of Russia's position regarding those commercial banks which before 15 February submitted issue prospectuses in the old form to the TsBR, Andrey Kozlov noted that "draconian measures will not follow," but each case will be examined separately. If the issue prospectus was already examined by the securities division of the TsBR and then got "bogged down," let us say, in the antimonopoly committee, the TsBR will make an inquiry of the committee and most likely declare the bank's prospectus compiled according to the old norms valid.

In the next issue of KOMMERSANT, we will begin publication of the new document, which is important both to the issuing bodies and to investors.

'Reforma' Foundation on Results of Gaydar's Economic Reforms

944E0539A Moscow NEZAVISIMAYA GAZETA
in Russian 24 Feb 94 p 4

[Article by Sergey Assekritov, first vice president of the "Reforma" Foundation, under the rubric "Talk about Oneself": "The 'Shatalin Team' and the 'Gaydar Team': Each Person Has His Own Interpretation of What Is Occurring in Russia"]

[Text] The joint report of the international "Reforma" Foundation and the economics division of the Russian Academy of Sciences provoked a stormy debate on the pages of the press and passed through several stages of fairly serious discussion.

The leaders of some of the factions of the State Duma (the Agrarian, Democratic, and Communist parties and the New Regional Policy) were the organizers of the first review of it. Then this document, along with the alternative programs of S. Glazyev and Ye. Saburov and the report of the Ministry of Economics, were the subjects of a constructive discussion at an expanded meeting of the collegium of the Ministry of Economics. And the very next day, 10 February, parliamentary hearings were held; they drew to the State Duma a significant number of deputies who responded in an animated and involved way to this particularly important topic. The meeting at the "Reforma" Foundation with ambassadors and representatives of all the CIS countries and the Baltics was not covered in the mass information media, although, in the opinion of its participants, it was a very interesting and, most importantly, useful one.

The meeting of the "Vzaimodeystviye" (Cooperation) Club under the chairmanship of Ye. Gaydar was clearly out of tune with all these discussions. But it is undoubtedly of interest, since the position of the members of the Gaydar team (P. Aven, A. Nechayev, and A. Illarionov) and its sponsors from business circles (M. Yuryev and K. Bendukidze), as well as the active propagandists of "shock therapy" (O. Latsis and M. Leontyev), was most explicit.

It is certainly clear that each person has his own interpretation of the processes occurring in Russia. There is nothing surprising in the fact that the attitudes of the "retired" members of the government and the current ones, the nouveau riche from speculation and the contingent of directors, and the independent and employed journalists toward the methods of the reform and toward its results and consequences are varied.

In the opinion of Ye. Gaydar and his comrades, even age is significant, and that has suddenly become one of the main arguments for not accepting the Academy report. The fact that young associates of a number of leading economic institutes also participated in preparing the report did not have an effect, of course; since battling with academicians who have become wiser and are well known is more honorable, and most importantly, the

external effect is something altogether different. And then academicians are Soviet, so an anti-imperialist fuse can be displayed.

But which of the crucial problems of the report irritate and even openly anger the purveyors of "shock therapy" the most?

The first is their fundamental disagreement with the evaluation of the results of the 2-year period of reform and the conclusion that the policy they followed failed. According to the allegation of Ye. Gaydar and A. Illarionov, a period of stabilization began and a gradual rise in the standard of living of Russia's citizens was underway.

Like most of Russia's population, we naturally cannot agree with that. The report has figures which suggest just the opposite. Social indicators signal an alarming situation in the fields of demography, public health, the structure of consumption, monetary income, stratification of society, the strike movement, unemployment, and the like. Mr. Illarionov says that we must look at the statistical reports in a different, more "professional" way. That, incidentally, is from the same opera where the minister of internal affairs, V. Yerin, suddenly says that the crime rate has dropped to almost one-tenth its previous level, while before our eyes gangs with automatic rifles organize fights every day and ordinary citizens have completely forgotten evening walks. Obviously, in the evenings they should study the statistics in a "professional" way behind armored doors. It is important to note that the results of the analysis of the 2 years of "shock therapy" and the conclusions from it by the authors of all three alternative drafts that this policy was a complete failure virtually coincide. So accusing the academicians of a certain bias and a desire to slander the activity of Gaydar and Company is simply inaccurate.

The second problem. The authors of the report proposed the mechanism of fixing prices for a restricted list of output for a certain amount of time as one of the elements of stabilization. It is clearly stated that this means energy media, weapons, and transport rates. What is more, Gaydar immediately accuses the "old" academicians of yearning for the past and wanting to set prices for all output produced.

But, in the first place, the academicians' proposal is not a repeat of the past, since even now the government and the local executive authorities set prices correspondingly on, for example, gas, electricity, weapons, freight hauling rates, domestic services, and municipal passenger transport. Incidentally, prices for oil are also regulated by special governmental decision, not in absolute amounts but through a limit on profitability.

In the second place, throughout the world the state actively participates in regulating prices for the output of monopolies and for certain strategic types of goods. Even now Japan regulates prices for... rice. So the allegations of P. Aven and A. Nechayev that prices can be regulated

only under a Stalinist regime seemed strange. Academician Shatalin should really be ashamed of his former pupils here.

In the third place, the proposed model is considered a temporary measure to eliminate the enormous disproportions which have taken shape in the levels and ratios of prices. How long can we repeat the necessity of preserving price parity for agricultural output and goods delivered to run agriculture and not make even one attempt to achieve it?

The report contains a by-stage plan for leveling prices which cannot, however, be realized exclusively through market mechanisms.

Problem No 3. There is abundant criticism of the proposal to introduce another exchange rate for the ruble during the transitional period in addition to the market rate, a rate determined by the Central Bank of the Russian Federation and used as the official one. Such a rate, in our opinion, should be established based on the real export-import price proportions and taking into account the rates of the "baskets" of foreign currencies and the dynamics of domestic prices and rates.

You must agree that 1,500 per dollar is not reality; it is a speculative, distorted rate, a "Snickers" [candy bar] rate. But it is precisely what is used to convert the currency earnings of enterprises in order to then confiscate it in the form of taxes, customs duties, and charges. Only speculators hold to this rate, which enables them to buy our industrial giants for 100,000 greenbacks. All the country's national wealth, if it is converted into dollars, puts Russia among the most underdeveloped countries. Isn't that absurd?

The fact that a ruble rate which is much much too low encourages dumping exports causes prices for imports to rise unacceptably, and everyone, even people who are not scientists, understands that it has become a cause of inflation and higher prices. An ordinary person feels this in his bones, if you will. But the former team of the powers-that-be discourse seriously on why all the entrepreneurs are hiding money abroad and why no one is investing hard currency in developing our own production.

There can be a healthy currency only in a healthy economy! As long as the economy is sick, it must be treated! If you do not like our medicine, suggest a different one, but the patient must be treated rather than watching him die.

The fourth problem. Privatization. As is well known, the very first critic of the RAN [Russian Academy of Sciences] and "Reforma" Foundation report was the legendary and inflexible A Chubays. Without reading them, he swept aside all the proposals, categorically announcing (for some reason on behalf of the entire government) that there was no reason to examine this type of document. And for greater persuasiveness he

took the president as his ally, although B. Yeltsin has not yet reacted to the report even now.

The directive, all-out nature of the supersonic privatization being conducted under the principle "treat everyone the same" cannot accomplish any end except mercenary ones. And they are being accomplished right in front of a population fooled by the universal distribution of vouchers.

Our position is that privatization should be considered an instrument of structural perestroika and investment policy. The fiscal tasks are accomplished in passing, of course, that is to say, the state treasury must not be diminished.

The slogan, let us create millions of owners, has no economic or social sense. First, we all have our own property now, thank goodness. Secondly, by no means does everyone want to get a part of state property and then manage it and be responsible for this piece like private property, and there are even fewer who know how to do this. It is appropriate to cite an example from the experience of some of the European countries. There anyone can buy land, but only those who have a qualified permit have the right to use it to run a farm. Thirdly, scattering property and the functions of managing it among millions of small owners, as world experience shows, leads to the erosion rather than augmentation of fixed capital.

That is why that from the beginning we were absolutely against duping the population with vouchers. They are still being touted. On television now there is such an ad every half hour: sometimes First Voucher, sometimes MMM-Invest, and sometimes someone else with these fantasies. But it was evident at the past meetings of the check funds that there is nothing to use to pay people dividends. They even wanted to borrow bank credits (the newspaper KOMMERSANT called this madness).

Our report suggests that the focus must be changed from privatization of property to privatization of management. We must truly rid the state of the command of those sectors which must "hustle" in market conditions. The process of destatization must force enterprises to adapt themselves to the market. But the state sector must also be preserved in certain spheres. And it must be managed and aided.

But of course these approaches do not please Mr. Chubays and other members of Ye. Gaydar's team. And besides, we dared to announce that all privatization work must definitely not be entrusted to one department. In the newspaper IZVESTIYA (10 February 1994), Ye. Gaydar writes that he is "by no means making any personal insinuations and, moreover, is confident of the personal honor of many people, especially among the higher managers." But I personally am not so confident. Yegor Timurovich says that "bolstering the state's role is for the sake of the possibility of quick enrichment at state expense." But I personally

think that the state withdrawing from a multitude of functions has already enriched many people, including certain higher managers.

And the last thing, the state's role. We devoted an entire section to the problem of bolstering state regulation. This theme runs through the entire report. I will not repeat the essence of the proposals, but for readers and for zealous monetarists I will cite one quote. Don't believe the Russian academicians, it is your business. But here is what their foreign colleagues from the leading institutes of the world (Germany, the United States, Austria, Hungary, Czechoslovakia, and Poland) which joined into a special working group to study the problems of the socioeconomic reconstruction of Central and Eastern Europe write:

"The historical experience of the 'economic miracle' of the postwar restoration of Western Europe convincingly contradicts the opinion that Europe will reach the heights of capitalism quickly and without planning. Thus, during the period of reconstruction:

- "1) the exchange rate of currencies was under control and the movement of capital was strictly regulated, while the free convertibility of currency for business transactions was introduced over a period of more than 10 years;
- "2) control over prices for the key commodities and subsidies to maintain them were preserved for that same long period of time, while in some sectors (agriculture and power engineering, for example), they are in effect even now;
- "3) privatization of state property never had a high priority. For decades many large companies (Volkswagen, for example) did not enjoy the privileges of private property, without apparent damage to the results of their activity;

- "7) it was understood that monetary reform as well as stabilization measures should promote the reconstruction and expansion of production potential; in no case was achieving abstract monetarist goals allowed to lead to the ruin of the production apparatus;
- "8) a vigorously operating state able to manage the market and maintain it by creating the appropriate institutions and legal structures as well as tax and financial programs was a crucial factor for normalizing the economic situation in order to step up entrepreneurial activity.

"An important historical lesson can also be derived from the successful modernization and growth of the Japanese economy, and subsequently from the development of the 'little tigers': Hong Kong, Taiwan, Singapore, and South Korea. Their success is based on the nondogmatic recognition of the fact that the market must be managed..."

Those are the interesting conclusions which independent scientists of foreign countries make in the book entitled "The Market Shock" (ISBN 0-472-08204-3, pp 131-133). Doesn't that convince you?

There is the popular term "self-involved" ["zatsiklenost"] which is applied to a certain category of people. They are very pig-headed; they see everything in their own terms. I am absolutely convinced that the entire Gaydar team is wrapped up in itself and all dialogues with it are now absolutely useless. But, thank goodness, there are sensible people and progressive forces. We must rely on them now, during this period so difficult for our country.

Socially Oriented Economic Reforms Advocated

944E0548A Moscow *EKONOMIKA I ZHIZN*
in Russian No 8, February 94 p 1

[Article by V. Shprygin, director of the Center for Studying the Price and Market Situation ("Tsenakor" *EKONOMIKA I ZHIZN*) and corresponding member of the Russian Academy of Economic Sciences: "Price and Finance Ratios: Economic Regulation Is Required"]

[Text] The steps recently taken by the government to improve the economic situation and strengthen the social orientation of the reforms inspire hope that they will finally begin to work. However, one must take into consideration the fact that the actual state of affairs in the national economy is an extremely complicated one—if not to say, becoming worse. During the last two years or more, the reforms have raised more questions than they have provided answers and positive solutions.

As before, the main question is: When will a change for the better finally arrive—what must be done to overcome the drawn-out crisis? Its solution is directly connected with eliminating the disproportions that have recently intensified in the national economy, lowering inflation rates and strengthening the reforms' social orientation.

Estimates of the future show that if appropriate adjustments are not made in the reforms, the decline in production during 1994 will be at least 10 percent with an inflation of 1000-1200 percent. Taking into consideration the impending revaluation of capital stock and the increase in transportation costs and prices in the raw-material branches and fuel and energy complex, inflation could increase:

Inflation, %			
Consumer basket calculated for:	December 1993	January 1994	February 1994 (forecast)
19 goods and services	18	20	23
72 goods and services	23	25	28

The fact that the growth in prices, which has been accompanied by a reduction in investments in industry,

significantly—approximately 1.6-fold—outstrips the increases in prices in agriculture evokes special alarm. This creates the threat not only of a protracted decline in production but also of a further intensification of price and exchange disproportions between these two very important sectors of the national economy. The situation in this area really resembles the celebrated 1922-1923 price discrepancy. Whereas the gap between the prices of industrial and agricultural products was 340 percent in favor of industry during 1922 and 1923, which cheapened the labor of the peasants and was one of the main reasons leading later on to a food dearth and the unwillingness of peasants to sell their products, the gap has reached 400 percent during the two years of these reforms (1992-1993). Thus, the gap in the price discrepancy between these branches has become even larger than it was during the crisis year of 1923. It could reach a full 500 percent in 1994. Today, for a peasant to be able to acquire the same amount of industrial products that he did in 1991, he must sell fivefold more crops than in 1991; to acquire tractors and grain harvesting equipment—20-fold more.

A forecast¹ of prices for the most important goods, which the Center for Studying the Price and Market Situation ("Tsenakor" *EKONOMIKA I ZHIZN*) made, reveals the following price index changes during the second quarter of 1994 without considering the increase in expenditures connected with the rise in costs of the capital stock in industry as a result of its revaluation:

Gasoline	1.5-1.7
Bar rolled stock	1.4-1.6
Steel pipes	1.7-1.8
Mineral fertilizers	1.6-1.9
Tires of all brands	1.3-1.8
Row-crop tractors	1.2-1.4
Grain loaders	1.2-1.4
Animal feed	1.5-1.8
Rye bread	1.3-1.6
Sunflower-seed oil	1.4-1.5
Cereals of all types	1.3-1.5
Meat of all types	1.4-1.7

The revaluation of capital stock will cause an increase in costs in industry and, consequently, the price gap with agriculture will increase even more.

Today, agriculture is losing approximately 45 percent of the national income created in it because of the price discrepancy. It is not surprising that many farms in such oblasts as Vladimir, Orel, Voronezh, Tambov, Kursk, and Bryansk did not acquire a single tractor during 1992-1993 as a result of this economic policy. On the whole, the agricultural capital-worker ratio has decreased by 36 percent and labor productivity by

almost 20 percent during these years. Thus, the disproportions in exchange relations between industry and agriculture have reached their critical limit. Steady production cuts in many food items and their supplanting with imported food have begun.

The saturation of the Russian market with domestic food was approximately 82 percent in 1993, including 75 percent of the 1991 level for animal husbandry products. This means that at least a fifth of the domestic market has given way to foreign commodity producers and we are expanding the economies of other states by curtailing our production. In order to prevent a further worsening of the state of affairs in agriculture, the state should intervene in the economic relations between agriculture and other sectors of the national economy and move to their regulation. However, this does not mean that one must without fail move to increasing purchase prices everywhere in order to eliminate the price disproportions arising between industry and agriculture. Under the conditions that have been created, any price increase for one product leads to inflation throughout the price system. It is advisable to eliminate the price disproportions between these sectors of the national economy not only by increasing purchase prices but also by reducing the prices for industrial products going to agriculture. For many industrial commodities, this can be done without pain to their producers since their profitability varies from 25 to 100 percent and more. In this case, the overall level of purchase prices can be increased by not more than 10 percent and subsidies to agriculture reduced to the minimum. They should be retained only for the production of a limited number of basic agricultural products.

Large disproportions in exchange relations have also arisen within industry itself between the processing and raw-material branches. The discrepancy in prices between these branches reached 180 percent in favor of the processing branches during the two years of reforms. As a result, coal and oil-extracting industry enterprises, for example, must today sell 1.8-fold more of their products than they sold in 1991 in order to acquire the same amount of equipment that they got in 1991. It is not surprising that labor productivity is falling in these branches and that many enterprises have not modernized for a long time and are on the verge of bankruptcy. Raw-material branch enterprises themselves are not interested in acquiring domestic equipment, preferring to sell their products abroad and purchase equipment there.

Serious disproportions have arisen in the fuel and energy complex branches. As is known, our industry, especially power engineering, has been mainly oriented for a long time toward the use of coal. All the major price and exchange ratios in the national economy have been built on the relationship to the price of coal. However, the liberalization of prices at one fell swoop led to upsetting the price ratios, which were keeping their balance, and the production processes, which were formed considering this. All coal-using enterprises—and they represent

approximately 70 percent of the total number of enterprises—were placed in a difficult financial situation and forced to feverishly switch their production processes over to the use of other energy sources or shut down.

Thus, the question of equalizing price ratios on the basis of regulating exchange relations between branches should be the pivot for all the states' future economic policy. When consistently following a policy of economic liberalization and expansion of the branch's use of market relations, the state should be concerned about their long-term economic interests. That is why it is necessary to move toward regulating (including primarily economic regulation) the most important price ratios for the purposes of balancing economic growth and adjusting the equivalent exchange of work results between branches and producers. This can be done on the basis of price agreements concluded through the mediation and under the control of state bodies between enterprises (branches) participating in the output of end products. These agreements can be fully concluded for technological chains: TEK [fuel and energy complex] - transportation - TEK, TEK - metallurgy - machine building - TEK, etc. In this case, the low prices for services, for example, transport for the fuel and energy complex, can be compensated for by the distribution of fuel and energy to transport at low prices.

Financial policy also needs changes. The strict monetarist financial policy, on whose basis rests the idea of balancing the budget by systematic delays in paying wages, all-embracing price liberalization and high taxes, is already incapable of improving the financial and monetary system. It is losing its economic sense more and more, acquiring a narrow departmental nature and, like any departmental policy in the final analysis, is beginning to be at variance with the interests of expanding the national economy.

Without a doubt one cannot improve the economy without a balanced budget. However, one should not reduce financial policy only to the achievement of this goal because the budget can also be balanced by organizing the disproportions which are hurling the national economy back dozens of years and worsening the population's social condition. That is why the problem of balancing the budget cannot be solved by any means—by a landslide curtailment of production and the bankruptcy of an enormous number of enterprises—since physical production is the main source for the receipt of the state's financial assets. However, the financial policy, which has been recently followed, has also contributed a great deal to this. Thus, the country's industrial potential decreased by 34 percent during the two years of the reforms and approximately 40,000 enterprises were chronically insolvent during 1993. As a result of the strict monetarist financial policy, which is limiting the issuing of credits, and the establishment of high taxes, which have led to a production curtailment, the sources for replenishing the budget have been reduced by almost 20 percent. The country has thereby been deprived of

significant financial assets and the financial and monetary system itself has been destabilized even more.

Calculations show that with the further conducting of the selected financial policy in 1994, approximately 20 percent of all coal mines and metallurgical complex enterprises, 28 percent of machine building enterprises, 16 percent of the timber industry, 22 percent of printing plants, 32 percent of light industry, and 21 percent of the food industry could become bankrupt. This once again testifies that the financial policy should be changed. Its meaning should consist not of limiting the issuing of credits in every way possible and searching for additional taxes but of stimulating the expansion of production by the sensible use of existing financial assets, thereby contributing to expanding the base for new financial revenue for the budget. Entrepreneurs, who have invested their assets in expanding production facilities that are most profitable for them, have understood this for a long time. Unfortunately, the state is not doing this. The massive denationalization of enterprises and their transfer to private property without appropriate guarantees for their stable functioning and the insuring of tax receipts for the budget from their activity are occurring. As a result, tax receipts for the budget from privatized enterprises are being constantly reduced. They decreased by 17 percent during 1993.

It is necessary to introduce certain adjustments in order to expand the reforms successfully. First of all, we must strengthen the social orientation of the reforms so that the individual's interests occupy the central place in them, the expansion of production and the balancing of national economic priorities are done on this basis, credit emissions are carried out, and the financial and monetary system strengthened in the final analysis. All necessary conditions for this exist today.

Footnote

¹A more detailed (400 commodity group) forecast of domestic and world prices is given in TSENOVOY VESTNIK, No 1, 1994, "Tsenkor" EKONOMIKA I ZHIZN, Moscow.

Banks' Heads Against Duties on Hard Currency Operations

944E0557A Moscow KOMMERSANT-DAILY
in Russian 1 Mar 94 p 1

[Article by Yuriy Katsman: "The Banks Have Tried to Influence the Municipal Council at the Last Minute"]

[Text] The squabble around the decision of the Moscow municipal council to introduce a duty on exchange currency operations reached a culmination by the date of its proposed coming into force—1 March. Yesterday the managers of 108 leading Russian banks which are shareholders and members of the Moscow Inter-Bank Currency Exchange signed an open letter to the mayor

of Moscow, Yuriy Luzhkov. In this appeal the bankers have again pointed out the negative consequences of the duty's introduction.

Almost a month has passed since the decision to introduce a duty on foreign currency operations was reached. During this time the criticisms addressed to the Moscow municipal council have become louder and louder. The leadership of the exchange itself spoke out repeatedly with verbal statements which foretold all but the crash of the Exchange. Yuriy Luzhkov also received a diplomatically irate letter from the chairman of the Central Bank Viktor Gerashchenko. The appearance of the bankers' letter to the mayor on the eve of the municipal council's decree entering into force has been the culmination of events.

The gist of the letter comes down to four basic points. First: the lion's share of the country's exchange currency turnover goes through the Moscow Inter-Bank Currency Exchange and the introduction of a duty means the imposition of an additional tax on Russian importers and exporters. The former will be forced in this case to shift their additional costs to the consumers and a stimulus to conduct the obligatory sale of foreign currency earnings on other Russian exchanges will appear for the latter. This will appreciably reduce the Exchange's turnover. Second: it is precisely on the Moscow exchange that the Central Bank conducts operations to regulate the exchange rate of the national currency. With a reduction in the operations of the Moscow exchange it can lose the role of the "exchange rate forming" (kursobrazuyushchiy) center of Russia. Third: the introduction of an additional duty worsens the already far from favorable tax climate in the capital and Moscow can altogether lose the status of the financial center of Russia.

And, finally, fourth. The bankers think that the financial problems of Moscow will not be solved by the introduction of additional duties and that the use of more civilized methods, for example the issuance of municipal bonds (similar to the GKO [not further identified]) is far more effective for increasing the revenues of the city's budget.

I didn't succeed in getting commentaries on the bank managers' letter from officials of the Moscow municipal council. They alluded to the fact that this document had not yet been officially received. However, it became obvious from the conversation with the bureaucrats that they are troubled not so much by the letter as by the problems of implementing the municipal council's decision. Considering the strong opposition to this decision on the part of the banks and the exchange itself and also that the mechanism for levying this tax has so far not been developed (in particular, even the payers of the duty have not been determined), one can infer that the decision of the capital's authorities will not enter into force in its original version in the near future and, most likely, will be transformed.

From the letter of the Russian Banks to the Mayor of Moscow, Lazhkov, Yu. M.

In the name of the leading Russian banks which are shareholders and members of the Moscow Inter-Bank Currency Exchange, we would like to express to you our concern in connection with the decision recently adopted by the Moscow municipal Duma to introduce, as of 1 March 1994, a duty on transactions involving the buying and selling of foreign currency completed on the exchanges of the city of Moscow...

Being one of six Russian currency exchanges, the Moscow Inter-Bank Currency Exchange has concentrated more than 80 percent of the country's currency exchange turnover. Some \$12.6 billion were sold last year at the auctions of the Moscow Inter-Bank Currency Exchange, which constituted approximately a third of Russian export currency earnings. Introduction of the new duty means that most Russian exporters will be subject to the additional tax..., which will stimulate their urge to conduct the obligatory sale... on regional currency exchanges. Importers also will suffer, since their expenditures for acquiring foreign currency on the Moscow exchange market will be significantly increased. It is natural that they will shift these costs to the consumers, having included them in the prices for imported goods...

It needs to be noted... that the Central Bank carries out currency interventions in support of the exchange rate of the national Russian currency most actively precisely on the Moscow Inter-Bank Currency Exchange and establishes the official ruble exchange rate... on the basis of the results of its exchange sessions. In the event that the decision adopted by the Duma is implemented... the Central Bank will be compelled to carry out policy regarding the regulation of the exchange rate on another currency exchange. The volumes of operations on the Moscow Inter-Bank Currency Exchange will drastically decline and it... will lose the role of the exchange rate forming center of Russia...

With the introduction of the duty the banks' costs with respect to exchange currency operations will double approximately, which will force the leading Russian banks to leave the Moscow market and to begin more active work in the regional centers, primarily in Saint Petersburg... From the curtailing of exchange currency operations in Moscow alone the municipal treasury can lose revenues received in the form of the 35-percent tax on the profit of the Moscow Inter-Bank Currency Exchange, and in the process not receive the anticipated revenues from the duty being introduced.

According to its principles the Moscow Inter-Bank Currency Exchange is a non-commercial organization. Last year the bank's shareholders... directed the basic portion of the profit to the acquisition of modern technologies... for the further development of the Russian financial market, mainly the state securities market. At the present time, on the order of 100 billion rubles is received into the state treasury every month from the floating of bond

loans. Such an approach is a far more effective method of replenishing the municipal budget as compared to the introduction of a duty on currency operations (the receipts from which will shrink drastically together with the fall in the volume of exchange auctions)... The preparation of the Government of Moscow for the issuance of a municipal bond loan could become the model of a civilized approach to the financing of the municipal budget and the city's commercial banks are ready to assist the Government of Moscow in organizing the issuance and circulation of municipal bonds using the technical base of the Moscow Inter-Bank Currency Exchange.

We apply to You with a proposal about a joint search for well-considered and professionally grounded approaches... which can ensure not a reduction but an increase in the role of Moscow as the most important and most dynamically developing financial center of Russia.

Lack of Available Information on 1993 Budget Criticized

944E0555A Moscow *RABOCHAYA TRIBUNA*
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[Article by Viktor Chernov, Sigmatsentr consultant:
"Did Russia Have a Budget in 1993?"

[Text] It would be worthwhile to hold parliamentary hearings on this subject with the participation of Boris Fedorov, the country's ex-treasurer. Or is no one in our government responsible for this as before?

The budget is more important than any political argument to very many people—no matter what position they occupy. The incomes of the different categories of citizens and the amounts of taxes depend on the state budget and budgetary policy.

However, our liberal reformers have turned the budget into something secret and inaccessible. One can only explain with any distinctness the situation regarding the state budget in 1993 using truisms. It, as it were, existed and did not exist simultaneously. There were drafts of the budget (delayed, true, for at least a half year); however, no final portrait can be obtained from them. No one discussed and adopted it.

Without a doubt, the entire year of 1993 was—to put it mildly—a strange one in a legal respect. Budget oddities were in no way fewer than constitutional legal ones.

The budget in the hands of Russia's ultra-liberals is surprisingly similar to the celebrated clothes of the king in the well-known fairy-tale—first of all, probably because it has the property of not retaining fingerprints due to the ephemeral nature of the subject itself. A clever tailor was able to convince the king and his associates that he had cut out beautiful or, as the specialists say, almost deficit-free clothing.

Alas, the unsophisticated, like the fairy-tale infant, people incited by the vigilant "enemies of reform" were in no hurry for some reason to go into ecstasies over the stiff savings in their wages, pensions, subsidies, and other payments. The absence of certain essential—from the viewpoint of social decency—details in the budget clothing evoked among them an understandable wish to know where the more than sizable "pieces" of the monetary fabric had disappeared.

The people will hardly be satisfied with the recent explanation by B. Fedorov, the ex-treasurer. It seems that the agrarians, who punched through an "unrealistic" (too big, isn't it?) state order, and the prime minister, who confirmed a price for grain at the world level (but is it really at the world level?) are guilty of the wage underpayments by the budget people since the "break-down of the budget began because money had to be taken from others."

The entire essence of his economic policy's ultra-liberalism and insolvency were expressed in this reasoning of the retired (fortunately) minister. From the viewpoint of liberal financiers, the budget would look much better if the Russian agrarians had not produced anything in general, if agriculture had ruined itself completely, if all grain had been purchased from American and other farmers paying for it with earnings from selling natural resources to the West, etc., etc. This liberal logic is so absurd and so abnormal that language does not exist to discuss it seriously from a worldly and scientific viewpoint. Nevertheless, we agreed for two years—based on some evil intuition—to listen to the barren flowers of liberalism.

Liberalism is back where it started but the deceived people are participating in these young people's gatherings. Only the fact that people are apparently no longer building on the liberal chaff is consoling. Liberal reformers will only be able to achieve the reverse effect—intense attention on their affairs—with reasoning similar to the one cited above. Citizens are continuing to remind

the authorities about their legitimate interests and needs. Not trite reasoning by retirees but answers to simple questions interest them.

For example, with the supposedly existing acute shortage of assets, how could B. Fedorov, the ex-treasurer, admit that astronomic sums—according to the estimates of experts, they exceed the state's annual budget several-fold—that have state-wide natural resources as their only source contrive by some incomprehensively devious way not to be in the state treasury but in private accounts in Swiss banks?

Upon whom has wealth of such frankly planetary scales fallen and how? What, in fact, was the state's budget? On the basis of what considerations and priorities was it compiled? How was it implemented? Was everything here straightforward from a legal and, moreover, from a moral point of view?

Peace and harmony in society cannot be based on deceit or a desire to close one's eyes to the abominations of life nor can they be built on vengeance. Only truth and the political morality based on it can be the basis of a civil harmony aimed at a just reorganization of life.

National Socioeconomic Statistics for 1993

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in Russian No. 6, Feb 94 pp 7-9*

[Unattributed report "based on Russian State Committee for Statistics Material": "On Russia's Socioeconomic Situation in 1993"—first paragraph is introduction]

[Text] Having received countless requests from our readers, we are publishing a statistical review of the main trends in Russia's economic development over the past year.

The most important economic and social indicators illustrating the overall results achieved in 1993 are cited in the following table.

	1993	1993 as a percentage of 1992	For Purposes of Comparison: 1992 as a percentage of 1991	For Purposes of Comparison: 1993 as a percentage of 1991
Economic Indicators:				
Gross domestic product, trillions of rubles	162.3	88	81	71
Industrial output, trillions of rubles	109.4	83.8	82	68.7
—Extraction industry	—	84.9	89.1	75.6
—Processing industry	—	83.6	80.8	67.5
Consumer goods production, trillions of rubles	36.45	88.9	84.6	75.2
Including:				
—Foodstuffs	17.0	89.1	81.6	72.7
—Alcoholic beverages	2.3	96.1	93.5	89.9
—Nonfood commodities	17.1	88.7	86.0	76.3
Capital investments from all sources of funding, trillions of rubles	25.2	84	60	51
Residential buildings commissioned from all sources of funding, million square meters	41.8	100.7	84	85
Total commodity turnover, trillions of rubles*	58.8	102	97	99
Paid services, trillions of rubles*	6.4	70	82	57
Freight shipments (dispatch), billion tonnes	3.6	75	76	57
Total exports, billion U.S. dollars	43	101.4	83	84
Total imports, billion U.S. dollars	27	73	83	61
Industrial manufacturers' price index**	—	x10	x34	x340
Social Indicators:				
Unemployment (end December) using International Labor Organization methods, in thousands	3,800.0	106	—	—
—including official unemployment	835	145	x9.3	x13.5
Number of population with income below minimum subsistence level (December) thousands	33	—	—	—
—Percentage of entire population	22	—	—	—
Real population's monetary income	—	109	53	57
Average wage (December) thousand rubles**	141.2	x8.6	x13	x118
Total consumer price index**	—	x9.4	x26	x245

*The cited figures for sales of consumer goods and services take account of experts' evaluation of sales at unregistered enterprises and also of informal importing and sale of consumer goods by private individuals.

**December to December

Production and Use of Gross Domestic Product

Gross Domestic Product [GDP], which is calculated as the difference between gross production and intermediate consumption, and characterizes the value of finished output destined for end consumption, accumulation, and export, totaled 162.3 trillion rubles [R], down 12 percent compared with 1992. This was due to the fall

in production of goods and services in most sectors of the economy, including falls of 16.2 percent in industry, 7 percent in construction, and 4 percent in agriculture.

In 1993 almost 58 percent of GDP was utilized for end consumption compared to 54 percent in 1992. The proportion of accumulation in GDP dropped 6.2 percent in 1993.

Industry

Production dropped 16.2 percent in real terms compared with 1992—16.1 percent in December. Civilian output dropped 15.9 percent and military production was down 29 percent (in 1992 the figures were 12 and 42 percent respectively).

In 1993 industrial production was down 37 percent on the 1990 figure, including drops of 28 and 38 percent in the extraction and processing sectors respectively.

During 1993 the greatest fall in production compared with the corresponding period in 1992 was recorded in January (down 21.8 percent), the smallest in August (down 12 percent).

Production of 234 (89 percent) out of 262 categories of reported industrial output dropped, while production of 28 categories (11 percent) rose.

The reduction in production differs substantially from sector to sector and production facility to production facility. Production of fuel and raw material resources dropped 3-12 percent, investment output—20-40 percent, output destined for agriculture—22-41 percent, basic foodstuffs—10-24 percent, and light industry goods—13-34 percent. Production of certain categories of consumer durables rose 8-9 percent.

Last year it did not prove possible to carry out the comprehensive structural reorganization of industry and the sector's production structures tended to become more cumbersome.

In 1993 there was a substantial increase in lost work time owing to protracted stoppages at production units due to difficulties in selling output, lack of material resources, etc. Whereas in 1992 1,400 enterprises (6 percent of the total) stopped production for more than a single shift every month on average, in 1993 the figure rose to 2,500 enterprises (12 percent), including complete production stoppages at 206 enterprises. In 1993, 115 million man-days' work time were lost, 10 percent of the scheduled work time at the enterprises where the stoppages occurred; each industrial worker accounted for six lost working days.

Machine building, metal working, light industry, chemical, and petrochemical enterprises accounted for 84 percent of the total lost worktime. Half the stoppages were caused by difficulties in selling output owing to customers' insolvency and a fall in demand, while 38 percent were due to lack of material resources. At the same time, whereas in 1992 and early 1993 the main cause of stoppages was lack of material resources, as of the second quarter of 1993 there was an increase in the proportion of losses due to difficulties in selling output, which rose to total 57 percent in the fourth quarter.

A high level of production concentration is characteristic of industry in the Russian Federation since in the past industry was geared to the development of large enterprises.

The bulk of industrial production is currently concentrated at large enterprises. Around 2 percent of industrial enterprises (with over 5,000 employees) produce over 40 percent of all output, production of which generates over half of all industrial profits.

The concentration of production has resulted in a situation where all production of trolleybuses, potato harvesting combines, scooters, diggers, tunneling combines, certain categories of rubber, cationic dyes, photographic film, and a whole set of other output is concentrated at one enterprise in Russia at present.

Oligopoly is characteristic of many industrial sectors—where production of a sizable proportion of similar output is concentrated at two to four major enterprises. Thus, for instance, dynamo steel is produced by three enterprises, which account for virtually all production of this product; four produce polystyrene and copolymers (96 percent), four produce agricultural vehicle tires (82 percent), two produce magnetic tape (100 percent), three produce soda ash (92 percent), and three produce motorized graders (100 percent).

The two-sided monopoly where you have one vendor and one customer in the marketplace is a kind of oligopoly. This situation has developed with regard to the production of truck engines produced by Volga Motor Plant produces; their only customer is the Gorkiy Automobile Plant Production Association. The mainline electric locomotives that are only produced by the Novochoerkassk Electric Locomotive Plant are all bought by the Russian Ministry of Railways.

In fuel and energy sectors, in standard equivalent terms, extraction and production of all categories of primary energy resources dropped 6 percent in 1993 compared with 1992. Some 956 billion kilowatt-hours of electricity were produced (down 5 percent on 1992) and 352 million tonnes of oil were extracted, including gas condensate (down 12 percent), along with 618 billion cubic meters of gas (down 3 percent) and 305 million tonnes of coal (down 9 percent).

The drastic fall in oil extraction over the last few years has brought structural changes in the fuel balance. The proportion of oil, including gas condensate, in total fuel extraction dropped to 35 percent in 1993 compared with 42 percent in 1990, while that of gas rose to 49 percent compared to 42 percent and coal remained virtually unchanged.

In ferrous metallurgy, production of basic output dropped in 1993 owing to a fall in demand: 40.5 million tonnes of cast iron (down 12 percent on 1992) and 58.3 million tonnes of steel (down 13 percent) were smelted; 42.7 million tonnes of finished rolled metal (down 9 percent) and 5.8 million tonnes of steel pipe (down 28 percent) were produced. Production of many progressive categories of metal output dropped still further. The adverse structural changes in the sector's raw material base are continuing: "Vtormet" Joint-Stock Company organizations reduced procurement of scrap metal 34

percent compared with 1992, while iron ore extraction was down 7 percent. As a result steel smelting is making greater use of cast iron and less of the relatively cheap scrap metal.

Production of many goods dropped substantially in machine building owing to the decline in customers' effective demand—production of one-fourth of 62 most important categories of reported output was down 20-40 percent, while production of one-third of these goods was down 50 percent or more.

Production of high-technology output dropped, in particular metal cutting tools and forging and pressing machines with digital program control, which were down by a factor of 4-6. Production of railroad and agricultural machine building output and construction equipment was down (30-70 percent).

Production of automobile industry output, for which there is a relatively steady demand, dropped less. In 1993, 956,000 passenger cars were produced (99.3 percent of the 1992 level) and 47,200 buses (98 percent).

Structural transformations in defense industry sectors in connection with the conversion of military production were a characteristic feature of last year. Whereas early in the year conversion encompassed 687 defense complex enterprises, at the end of the year the figure was 719, 68 percent of the total number of enterprises in these sectors. Overall production at enterprises undergoing conversion dropped 11 percent. Nonmilitary output at enterprises undergoing conversion represented around three-fourths of their total output. Two-thirds of the work force are employed in producing this output.

Compared with 1992 there have been changes in the funding structure for conversion. The amount of federal budget appropriations has dropped somewhat (from 24 to 18 percent), while the proportion of raised funds, including bank credit and foreign investment, has risen (from 31 to 48 percent).

The decline in production in the chemical and petrochemical industry in 1993 is due to limited raw materials and semimanufactures, both Russian and from nearby and distant foreign countries (one-fourth of the sector's consumption). Some 9.9 million tonnes of synthetic ammonia (down 7 percent on 1992), 8.2 million tonnes of sulfuric acid (down 15 percent), 2 million tonnes of soda ash (down 26 percent), 1.4 million tonnes of caustic soda (down 22 percent), 8.6 million tonnes of mineral fertilizers (down 22 percent), 349,000 tonnes of chemical fibers and yarns (down 26 percent), and 36.1 million automobile tires (down 14 percent) were produced.

The chemical and pharmaceutical industry cut production of 11 out of 16 highly important pharmacotherapeutic groups of preparations, including cancer preparations, analgesics, febrifuges, antipyretics, anti-TB preparations, antiasthmatics, antihistamines, preparations for the treatment of dysbacteriosis [disbakterioz], eye disease, and endocrinological and digestive complaints. Production of

preparations for the treatment of sugar diabetes, as well as contrast mediums and other diagnostic aids, has been suspended. Substances which are in increased demand among the population have become scarce: nitroglycerine, papaverine, and vitamins, production of which was at 86-93 percent of the 1992 level; levomycetin, analgine, and validol, at 61-68 percent of the 1992 level; and klofelin [translation unknown] and ampicillin, at 48-54 percent of the 1992 level.

In the timber procurement industry commercial timber production dropped by more than one-fourth compared with 1992. That is due to high equipment wear-out rates, a reduction in the construction of timber-carrying roads, too-late allocation of credit, and increased shipment costs.

There has been a considerable fall in production of the most important categories of timber processing and pulp and paper output. In 1993, production of lumber totaled 39.9 million cubic meters (25 percent down on the 1992 level), pit props—450,000 cubic meters (down 55 percent), commercial pulp—1.6 million tonnes (down 21 percent), and paper—2.9 million tonnes (down 20 percent).

A reduction in industrial construction brought a reduction in production in the construction materials industry. Some 50.1 million tonnes of cement (down 19 percent on 1992), 3,249 million standard slates (down 28 percent), 19.1 billion bricks (down 12 percent), and 101 million square meters of window glass (down 13 percent) were produced.

Production of general construction materials and goods dropped to a lesser extent: Production of panels for large-panel housing construction, steel wall and roofing panels, ceramic facing slates, and construction glass dropped 13-26 percent, and production of ceramic sanitary ware was down 7 percent.

In 1993, light industry enterprises produced 3.7 billion square meters of fabric (27 percent down on 1992), 547 million pairs of hosiery (down 13 percent), 340 million items of knitwear (down 26 percent), and 146 million pairs of footwear (down 34 percent).

Structural changes can be glimpsed in the sector in terms of an increase in production of output for high-income population groups. Thus, in 1993 there was virtually no fall in the production of real fur overcoats for adults compared with 1992 at a time when production of fake fur and cloth overcoats dropped 52 and 28 percent respectively.

Over the year production of children's goods dropped most: hosiery and knitwear by almost one-third and footwear by half.

A different situation developed with regard to the production of cultural-consumer and household goods. In 1993, 3.5 million refrigerators and freezers (9 percent up on 1992), 4 million television sets (8 percent up), 3.9 million washing machines (down 10 percent), 1.4 million sewing machines (down 13 percent), 2.2 million tape

players (down 20 percent), and 270,000 videocassette recorders (down 39 percent on 1992) were produced.

The fall in production of a number of commodities, videocassette recorders and tape players in particular, is due to the increased supply of high-quality imports on the consumer market.

Enterprises producing china and majolica operated fairly stably last year, although by the end of the year production was tending to drop (99.7 percent). Production of cast-iron ferrous and drawn aluminum vessels more than halved. In 1993 ski production was only 30 percent of the 1992 level, including 18 percent for children's skis. Production of many sports goods dropped.

In 1993 the drop in production of certain foodstuffs slowed down: 4.0 million tonnes of meat, 8.2 million tonnes of whole-milk products, 1.1 million tonnes of vegetable oil, and 3.9 million tonnes of sugar were produced.

Production of vegetable oil, prepared meat products, fatty cheeses, sheep's cheese, canned milk products, and mayonnaise rose.

With regard to babyfood in 1993 production of liquid and pureed dairy products, dried milk mixtures, canned meat, fruit, and vegetables totaled just 26-49 percent of the targets prescribed by the State Program for the Development of the Babyfood Industry, while production of cereal-based dried foods was just 14 percent of the prescribed level. Compared with 1992 production of liquid and pureed dairy products rose. However, production of these products dropped in 50 percent of regions. The situation that has developed with regard to the production of babyfood is due to enterprises' lack of packaging and wrapping materials supplied by nearby and distant foreign countries and also to trading organizations' rejection of babyfood owing to the high price thereof.

Capital Construction

In 1993 Russian enterprises under all forms of ownership absorbed R25.2 trillion in capital investment.

Enterprises' own funds (over 60 percent of all capital investments) are the main source of funding for capital construction. Centralized funds financed by the republic's budget account for 17.5 percent, local budget funds for 15 percent, investment funds for 3.3 percent, and preferential credit for 1.7 percent.

State enterprises and organizations (59 percent) and joint-stock companies (29 percent as opposed to 6.7 percent in 1992) account for the largest proportion of capital invested.

Some R15 trillion or 60 percent of all capital investments were utilized on the construction of production facilities. The largest proportion of production investment is channeled into the development of the fuel and energy complex (around 40 percent), the agro-industrial

complex (18 percent), machine building (7 percent), and the chemical, timber, and construction complexes (5 percent each).

Some 193 of the 652 federal investment program facilities due for commissioning in 1993 were been commissioned (122 in full and 71 in part). The level of program fulfillment totaled 30 percent, including 42 percent for budget-funded facilities and 26 percent for facilities funded by credit investment resources.

The agro-industrial complex spent R4.1 trillion in capital investment from all sources of funding, down one-third on 1992. State budget funds accounted for one-fifth of the total investment in the agro-industrial complex. Some 42 highly important agro-industrial complex facilities were commissioned in 1993 from this source of funding under federal investment programs (13 percent of the annual program if you include partial commissioning.).

Unfinished construction is continuing to build up. In 1993 the amount of unfinished construction is estimated to have increased by 20-25 percent. Production facilities account for over two-thirds of this.

In 1993 the rate of nonproduction construction dropped less than that in the production sphere, making it possible to somewhat increase the amount of housing and a number of other social facilities that were commissioned compared with 1992.

In 1993 enterprises under all forms of ownership built apartment blocks with a total area of 41.8 million square meters or 100.7 percent of the 1992 level (68 percent of the 1990 level).

State enterprises and organizations commissioned 22.0 million square meters or 99.1 percent of the 1992 level and 53 percent of the total amount of housing built.

The nonstate sector of the economy built 2 percent more housing than in 1992. At the same time the situation with regard to housing construction by joint-stock companies (up 4 percent on 1992), economic partnerships (up 11 percent), and individual developers (up 13 percent) developed most favorably.

Enterprises and organizations under all forms of ownership commissioned general education schools with 299,600 places (1 percent down on 1992), preschool establishments with 61,500 places (36 percent down), hospitals with 14,300 beds (75 percent up), and outpatient clinics catering for 45,900 patients per shift (up 16 percent).

Agriculture

Within the framework of the agrarian reform in Russia in 1993 the reorganization of kolkhozes and sovkhozes continued, lands were redistributed and privatized, and social and structural transformations were accomplished.

By the end of 1993 over 24,000 kolkhozes and sovkhozes had been reregistered, which is 95 percent of their total.

Various types of partnership have become the main organizational form of management (there are 11,500 of them). Around 300 open-type joint-stock companies, over 400 subsidiary plots of enterprises and organizations, 2,000 agricultural cooperatives, and 3,000 other enterprises of new organizational-legal forms of management have been created on the basis of the reorganized kolkhozes and sovkhozes. The collectives of one farm in three have adopted a decision to preserve the status of their enterprise. At present agricultural enterprises with a state form of ownership account for no more than 15 percent of agricultural lands and value of produce.

The creation of new peasant (private) farms in 1993 proceeded more slowly. In the year as a whole their number increased by 87,000 (in 1992 by 134,000) and by 1 January 1994 totaled 270,000 with a land area of 11.3 million hectares (an average of 42 hectares per farm). Agricultural land on those farms occupies 10.4 million hectares (92 percent of the total) with plowland forming 7.5 million hectares (66 percent). Private farmers held 5 percent of the country's agricultural land and 6 percent of the plowland.

Because of the increased difficulties with material and technical support, the deterioration of the financial position, and other factors 14,000 private farms stopped trading in 1993, 5,000 of them in the fourth quarter (5,000 closed down in the whole of 1992). Out of every 100 farms created in 1993 14 peasant holdings ceased operations as against four in 1992.

The allocation of land for collective horticulture and truck farming continued. In 1993 over 0.8 million families received plots on collective horticultural farms with an area of approximately 80,000 hectares and 3.0 million families received a total of 200,000 hectares on truck farms. Land was also allocated for personal plots and dacha construction.

The land redistribution processes predetermined the structural changes in agriculture.

The proportion of gross agricultural output, in value terms, produced by the population's farms increased from 24 percent in 1990 to 36 percent in 1993, areas sown to potatoes increased accordingly from 58 percent to 77 percent, and vegetables from 34 percent to 60 percent. In 1993 the population grew over 80 percent of the potatoes and 66 percent of the vegetables. The potato yield on the population's plots was noticeably higher than on agricultural enterprises. Similar processes are occurring in stockraising. The private sector's share of meat production rose in the past three years from 25 percent to 38 percent, of milk production from 24 percent to 34 percent, and of egg production from 22 percent to 27 percent. Cattle productivity on personal plots is also higher than the level in agricultural enterprise livestock units.

According to the preliminary figures, the volume of gross agricultural production in 1993 in comparable prices fell by 4 percent compared with the previous year while on

the population's private subsidiary plots the value of gross output rose by 4 percent.

In 1993, 99 million tonnes of grain were harvested (93 percent of the 1992 level). The harvests of sugar beets (25.5 million tonnes), potatoes (38.1 million tonnes), and vegetables (9.8 million tonnes) were approximately at the 1992 level. The gross harvest of sunflowers for seed was 2.8 million tonnes (11 percent less than in 1992) while for flax the figure was 58,000 tonnes (26 percent down). The sowing of winter crops and the fall plowing were noticeably behind the 1992 performance. An area of 15.5 million hectares of winter crops were sown (20 percent down on 1992) and that included 14.3 million hectares of grain (20 percent less). The decline in the area sown to winter rye was higher (34 percent) while that of wheat (12 percent) and barley (6 percent) was lower. Some 41.9 million hectares of fall plowing was carried out, which is 6.2 million hectares (or 13 percent) less than in fall 1992.

In 1993 state resources received 27.4 million tonnes of grain or 1.3 million tonnes (5 percent) more than in 1992. The proportion of grain purchased was 28 percent of production as against 24 percent the previous year. Wheat purchases rose by 16 percent compared with 1992, purchases of oats rose 14 percent, and purchases of barley and peas were up 30 percent. The sale of groat crops to the state fell by one-third, rye by a quarter, and strong and durum (high grade) wheat were down by two-thirds.

Some 11.5 million tonnes of grain (97 percent of the set target), 0.5 million tonnes of oil-bearing seeds (43 percent), and 3.1 million tonnes of sugar beets (41 percent) were bought for supply to the federal fund.

Crop sale patterns changed in 1993. A reduction can be observed in the proportion of output supplied to the state, while sales through other channels are expanding. For example, state resources received 28 percent of the sugar beet harvest and 21 percent of the sunflower seed crop as against 42 percent and 38 percent respectively in the previous year. There was an increase in the proportion of these crops sold by commodity producers on a customer-supplied basis to processing enterprises. The supply of sugar beets by this method rose from 50 percent of sales volume in 1992 to 65 percent, while the figure for sunflowers rose from 25 percent to 68 percent. Sales of potatoes and vegetables by all agricultural commodity producers fell by 20-30 percent compared with the previous year. In 1993 they sold 28-45 percent of the total produce sold through free channels (the market, own stores, public catering outlets, and so forth) (in 1992 the figure was 24-27 percent).

Stockraising in 1993 was characterized by a decline in the receipt of produce from agricultural enterprises' farms and a simultaneous increase in production on citizens' private subsidiary plots. On farms of all categories meat production fell by 860,000 tonnes in live weight (a 7-percent reduction) compared with 1992, egg

production was down 2.6 billion (6 percent), and wool production was down 18,500 tonnes (10 percent). The decline in milk production has been halted: Production was at the previous year's level.

As of 1 January 1994 the number of livestock on all categories of farms was 48.9 million head (6 percent less than on the same date in 1993), the cow herd totaled 19.8 million (2 percent down), there were 28.5 million hogs (10 percent down) and 43.6 million sheep and goats (15 percent fewer). At the same time the herd on the population's plots increased as follows: beef cattle [krupnyy rogatyy skot]—4 percent, dairy cattle [korova]—6 percent, and pigs—2 percent.

The proportion of beef cattle owned by citizens rose in the last three years from 17 percent to 25 percent, of dairy cattle from 25 percent to 34 percent, of hogs from 18 percent to 28 percent, and of sheep and goats from 28 percent to 38 percent.

Insufficient and unbalanced feed was the main reason for the poor use of the potential of livestock. Livestock productivity in Russia remains two-three times below the genetic potential and equivalent indicators for developed foreign countries.

Volumes of state purchases of livestock and poultry were 5.9 million tonnes in 1993 (85 percent of the 1992 level), milk—24.6 million tonnes (94 percent), and eggs—24.2 billion (99.5 percent). The proportion of state purchases in the total volume of livestock product sales by agricultural commodity producers remained virtually unchanged at 80-90 percent in comparison with the previous year.

Transport and Communications

In 1993 the reduction of freight shipments was a consequence of the continuing decline in the production of output. The volume of freight shipments by general-purpose transport fell by 1.2 billion tonnes in comparison with 1992 (down by 25 percent) and totaled 3.6 billion tonnes. Freight shipment by rail fell by 18 percent, road transport was down 40 percent, maritime transport was down 8 percent, inland water transport was down 31 percent, air transport was down 23 percent, and pipeline transport was down 8 percent.

The shipment of freight by general-use inland water transport to the Far North and equivalent locations ended in October. From the start of the navigation season 35 million tonnes of freight were shipped to those regions by river transport, which is 24 percent less than in 1992, and around 8 million tonnes were shipped by sea (28 percent less).

The number of passengers carried by general-use transport fell 5 percent compared with 1992. A proportion of passenger traffic was switched to relatively cheaper rail

transport, where passenger numbers increased by 7 percent. Road passenger traffic fell by 6 percent, inland water passenger traffic fell 16 percent, and air passenger traffic was down 29 percent. In air transport passenger traffic on internal routes was down 37 percent whereas on international routes it rose by 29 percent.

Public transport rolling stock is in bad technical condition. At least one-tenth of the registered fleet of passenger cars and street cars and trolleys are being used beyond the end of their operational life. At general-use motor transport establishments almost one third of buses have depreciated completely and are due to be written off. The constantly rising transport tariffs do not cover the costs of transport enterprises and do not enable them to update the vehicle fleet. As a result the number of vehicles in use on the roads is falling and routes are being canceled or reduced. In December one regional center in four failed to fulfill more than 15 percent of planned bus, trolley, and street car journeys. Public taxi transport has become virtually unaffordable for the population and the volume of journeys halved over the year.

The quality of passenger services remains low. In 1993, 32 million bus journeys were canceled and 4.7 million buses were late arriving at their final destination. Some 27 percent of internal flights failed to keep to schedule, and the average delay was over five hours. In rail transport in 1993, 36,000 trains (8 percent) (leaving aside suburban trains) were late on average 1.1 hours.

The year 1993 saw the further development of communications networks and facilities, and this applies first and foremost to intercity and international telephone communications. An international telephone complex has been launched. A 24-hour outgoing automatic exchange has been opened for all subscribers in Moscow and St. Petersburg. In 70 cities in Russia international high-speed postal communications services are being offered. At the same time, a check carried out by the statistical organs has revealed substantial violations of the delivery deadlines.

Over the year communications enterprises provided services worth R1.6 trillion, including services to the population totaling R314 billion, which is 12 times more in actual current prices than in 1992. At the same time the volume of communications services in real terms continues to decline. In comparison with 1992 the number of letters and printed items sent fell by 24 percent, parcel traffic fell by 45 percent, money transfers, newspapers, and magazines (subscription and retail sales) were down by 31 percent, and telegrams were down 17 percent.

More than 11 million applications for the installation of domestic telephones remain unsatisfied. The problem of providing the population with a telephone service is aggravated by the fact that in a number of cases citizens have been forced to forego the installation of a telephone on grounds of cost.

The Consumer Market

Last year the trade and services sphere adapted increasingly to the new conditions. Enterprise is gaining momentum in the consumer market. In 1993 the population bought goods and services through all forms of sale worth R65.2 trillion (the statistics on the volume of sales of consumer goods and services to the population are cited on the basis of an expert assessment of volumes of sales at nonregistered enterprises and also in the light of the informal import and sale of consumer goods by private individuals), which in actual prices is 10.7 times higher than in 1992 and in comparable prices is virtually at the 1992 level (a reduction of 0.5 percent). Around 40 percent of this volume constitutes expenditure on the acquisition of consumer goods and services in informal trading.

In comparison with 1992 the supply of goods to the retail trade network increased. Whereas in 1992 the retail availability coefficient was approximately 50 percent for food products and 70 percent for nonfood goods, in 1993 it was equal to 60-70 percent and 80-90 percent. The retail trade commodity supply index fluctuated around the 120-130 percent level compared with 1992.

Private-sector (including consumer cooperative) trade's share of retail commodity turnover was 71 percent (62 percent in 1992), the state sector formed 25 percent (37 percent), and other nonstate forms of ownership made up 4 percent (1 percent).

In 1993 the population bought foodstuffs worth R31.3 trillion. A proportion of the population is moving from organized trade to informal trade for the purchase of foodstuffs: In a number of instances prices are lower in informal trade. For example, while purchases of meat products, sugar, and vegetable oil rose by 12-26 percent and dairy products by 6 percent, in the organized trade sector sales fell by 4-15 percent.

The enforced redistribution of the population's money incomes in favor of the purchase of foodstuffs in 1992 restricted demand in the nonfood goods market. As money incomes rose and the population adapted to the new prices in 1993 a definite change occurred in the structure of retail commodity turnover; the proportion of food goods fell from 55 percent to 53 percent, while nonfood goods rose from 45 percent to 47 percent. In 1993 the population bought nonfood goods worth R27.5 trillion, which in real prices is 11 times higher than in 1992. There was an increase in demand for many light industry products. In conditions when the production of these goods by our country's industry fell, the supply to the consumer market was largely maintained by means of expensive products and an increase in foreign purchases by commercial structures.

In comparison with 1992 purchases of footwear, knitted underwear, hosiery, cotton goods, woollens, and silk fabrics increased (1.1 to 1.5 times). Demand for domestic equipment was maintained. The sale of TV sets, refrigerators, freezers, and radio sets in organized trade rose by 19-26 percent.

In 1993 the population received paid services worth R6.4 trillion, which in real prices is 12 times higher than the 1992 level but in comparable prices is 30 percent lower. The volume of sales of domestic services was R1.1 trillion, which in real terms is 38 percent down on 1992.

Foreign Economic Ties With Non-CIS Countries

In 1993 Russia's foreign trade turnover (excluding CIS countries) including the import and export of goods by private individuals was \$70 billion or a reduction of 12 percent in current prices compared with 1992.

Exports amounted to \$43 billion, an increase of 1.4 percent, and the breakdown was as follows: to the industrially developed countries—\$25 billion (an increase of 1.2 percent); to the developing countries—\$6 billion (an increase of 39 percent); and the rest of the world (the former CEMA countries, the former Yugoslav republics, China, the DPRK, and the Baltic countries)—\$12 billion (a reduction of 5 percent).

The main volumes of export deliveries in 1993 went to Germany—\$5.8 billion (97 percent of 1992's figure); China—\$3.3 billion (118 percent); Italy—\$2.8 billion (93 percent); Britain—\$2 billion (92 percent); Hungary—\$2.1 billion (138 percent); Japan—\$2 billion (130 percent); the United States—\$2.0 billion (267 percent); France—\$1.8 billion (87 percent); Czech Republic—\$1.6 billion (90 percent); Finland—\$1.6 billion (96 percent); Austria—\$1.5 billion (210 percent); and Switzerland—\$1.5 billion (168 percent).

Fuel and energy resources accounted for 48 percent of the export commodity structure in 1993, with crude oil accounting for 19.1 percent, natural gas for 17.0 percent, and petroleum products for 8.0 percent, while machinery and equipment accounted for 6.7 percent of the total export volume.

In 1993 Russia's imports were worth \$27 billion, 27 percent down on 1992, including \$16.4 billion from the industrially developed countries (down 31 percent), \$2.9 billion from the developing countries (down 39 percent) and \$7.7 billion from the remaining countries (11 percent down on 1992).

Imports from Germany were worth \$6.6 billion (96 percent of the 1992 figure), China—\$4.1 billion (228 percent) Japan—\$1.5 billion (89 percent), the United States—\$1.5 billion (52 percent), France—\$1.2 billion (90 percent), and Italy—\$1.0 billion (34 percent). Volumes of imports from Belgium, Britain, the Netherlands, Turkey, and Switzerland rose. Purchase of output in such countries as Bulgaria, Canada, the Republic of Korea, Romania, Singapore, and Sweden fell to half or less.

Machinery and equipment accounted for 26.5 percent of the total import volume in 1993, grain accounted for 5.8 percent, textiles and knitwear accounted for 4.5 percent, and sugar (including raw sugar) 3.0 percent.

In 1993 the foreign trade balance showed a surplus of \$16.0 billion (in 1992 the surplus was \$5.4 billion).

Foreign Economic Ties with Neighboring Foreign Countries

In accordance with intergovernmental agreements concluded by Russia with the former Union republics, a definite mechanism of trade and economic relations was formed between them which operated in 1993. However, the crisis state of the economy, the fall in production, and the reorientation of enterprises' economic ties toward the rest of the world caused a further decline in Russia's commodity turnover with the CIS states. Foreign trade turnover with the neighboring foreign countries in 1993 was R22.5 trillion or only 50 percent of the 1991 level. In the same period Russian oil deliveries to the CIS states fell by 60 percent, natural gas supplies were down by 8 percent, coal was down 68 percent, motor gasoline was down 60 percent, and rolled metals were down 64 percent. Russia's priority export commodity is fuel resources (88 percent of the volume of production and technical output exported as against 51 percent in 1992).

In 1993 the total commodity turnover volume with the CIS countries using the mechanism of equivalent supplies on a balanced basis in which payments are made using the price level in the world market, was almost \$7 billion.

The CIS states' debt to Russia converted into [pereformlennaya v] state debt was R2.3 trillion (approximately U.S. \$5 billion). The possibility of settling part of the debt by the transfer of property rights (shares, securities, and so forth) to enterprises and installations of interest to Russia is envisaged here.

The total debt of enterprises and organizations of the CIS countries for supplies of goods under direct ties from Russia amounted to around R3.5 trillion by the end of 1993 of which approximately R1.5 trillion constituted debts to enterprises in Russia's fuel and energy complex.

The partial settlement of these debts is being achieved by state credits granted by Russia to the CIS countries. In addition, when payments are made it is anticipated that broader use will be made of payments in national currencies based on the quoted exchange rate for those currencies.

Privatization

In January-November 39,000 state enterprises were privatized, and since privatization in Russia began 86,000 enterprises have been privatized. Of the total number of enterprises privatized in the first 11 months of 1993, 31 percent have passed into private ownership by means of flotation (partial or complete), 69 percent by sale.

Retail and wholesale trade enterprises account for 35 percent of the total privatized, industrial enterprises for 29 percent, consumer services enterprises for 18 percent, construction enterprises for 9 percent, public catering

enterprises for 7 percent, road transport enterprises for 3 percent, and agricultural enterprises for 2 percent.

The total value of enterprises privatized in January-October (according to residual value in prices prior to the revaluation of fixed assets in 1992) was over R753 billion.

On average the value of a single privatized enterprise in municipal ownership was R12 million, in territorial ownership—R16 million, and in federal ownership—R54 million.

Of the three forms of concessions offered to labor collectives during flotation of enterprises the preference, as before, is for option two, which enables the labor collective to own the controlling stake. That option has been chosen by over three-quarters of enterprises which have become joint-stock. One-sixth of enterprises opted for flotation version three and around 1 percent have opted for version one. In addition, a proportion of enterprises (3.3 percent) have opted for flotation as lease enterprises.

The privatization of large and medium enterprises is being accomplished mainly by flotation. Of those enterprises privatized by flotation in January-November the controlling stake is assigned to the state at 305 of them (2.7 percent), and the state retains a "golden" share at a further 158 enterprises (1.4 percent). Of the total number of such enterprises the majority are in industry (54 percent) and in construction (12 percent).

Privatization of small-scale enterprises is carried out as a rule by sale and virtually without restriction from the state. Some 44 percent of enterprises have been sold off by competitive tender, 43 percent by buy-outs of leased property, and 9 percent of enterprises by auction.

The average value rating [kurs stoimosti] of the enterprises which have been sold (the ratio of sale price to initial price) in January-November was 5.7 (in 1992 the figure was 3.2); for enterprises in municipal ownership the figure was 7.2, in territorial ownership—3.8, and in federal ownership—2.3.

Of those enterprises which have been floated 13 percent have sold all the shares available for sale, and of those enterprises privatized by means of sale more than three-quarters have paid the whole purchase sum due under contract.

The privatization of enterprises in January-November produced R340 billion (including resources for enterprises privatized in 1992) and 40 million privatization checks.

The privatization of enterprises in municipal ownership generated R181 billion (53 percent of the money received) and 6.2 million checks (16 percent of the total number of privatization checks redeemed), those in territorial ownership raised R56 billion (17 percent) and 9.6 million checks (24 percent) correspondingly, and those in federal ownership raised R103 billion (30 percent) and 24.2 million checks (60 percent). Of the money raised 64 percent has been transferred to the budgets of the territories as revenue, 20 percent to the federal budget, and 16 percent to the state privatization organs.

Development of Market Structures

The development of the Russian Federation's market infrastructure is undergoing a certain change at the moment. A gradual reduction in the number of commodity exchanges is being noticed. Out of the 303 licensed exchanges around 180 were in operation at the end of 1993, 40 of which were doing stable work and held auctions twice or more a week.

The bulk of the commodity turnover at exchanges (40 percent) is accounted for by the six largest exchanges, four of which are in Moscow and one each in Saratov and Omsk.

According to the preliminary figures, total commodity exchange turnover in 1993 amounted to R1.6 trillion, which was 4.5 times higher than the 1992 turnover in current prices. The proportion of production and technical output in the structure of commodity exchange turnover fell (from 65 percent to 41 percent) and consumer goods fell (from 31 percent to 12 percent).

In 1993 contracts began to be concluded for the purchase and sale of future supplies of output, which represented 6 percent of the total annual turnover.

Individual exchanges began to specialize in the sale of certain commodities. During the year 70 percent of commodity exchange business in oil was conducted at the Moscow Petroleum Exchange, 60 percent of dealings in wheat were conducted at the Russian Grain Exchange (Saratov), almost 50 percent of the coal was sold at the Siberian Commodity Exchange (Novosibirsk), 75 percent of the nickel and over 40 percent of the aluminum were traded at the Moscow Nonferrous Metals Exchange, and 40 percent of trading in timber was handled at the "Roslesbirzha" (Moscow). However, the volumes of commodity dealings in the production of that output remain insignificant, ranging from 0.1 percent to 1.5 percent.

Operations involving money and securities expanded at stock exchanges. The volume of their sales in total stock exchange turnover rose from 3 percent in 1992 to 46 percent in 1993.

By the end of 1993 around 2,000 commercial and cooperative banks holding Bank of Russia operating licenses, plus around 4,000 branches (excluding the Savings Bank of the Russian Federation), had been registered.

In 1993 there were approximately 1.4 commercial banks per 100,000 inhabitants. If branches of the Savings Bank are included that figure is 25-30 banking establishments per 100,000 inhabitants.

The density of commercial banks by individual regions of Russia varies. Moscow remains the leader in terms of the provision of banking services. According to the figures for the first half-year, 38 percent of all registered banks and their branches are concentrated in the capital and Moscow has more than 22 commercial banks and

branches per 100,000 inhabitants. In the Far East region and Kaliningrad Oblast the figure is four to six banks each, elsewhere the figure is one to two banks.

Of the total number of commercial banks around one-third have been organized on the basis of former specialist banks and over 60 percent are new formed.

Commercial banks account for 80 percent of total credit investments in the national economy.

The traditional source of resources for the commercial banks—funds which they manage to attract [*privlechen-nyye sredstva*]*—remains the main one (over 90 percent of liabilities), of which the resources of enterprises and organizations in clearing [raschetnyy] accounts and current and other accounts, deposits, and investments account for 25-27 percent of liabilities and interbank credits account for less than one fifth. Centralized credits of the Bank of Russia are prevalent in the latter category.*

The main directions in the use of bank resources are the provision of credit (over one-third of assets were used for this) and investments in foreign operations (around one-half of assets).

The insurance services market in 1992-1993 saw an active process of forming a competitive environment. The formation and development of this market is an important factor ensuring stability in the activity of economic players and citizens' property interests.

In October 1993 the Russian State Committee for Statistics carried out a one-shot survey of the activity of 900 Russian insurance organizations (constituting 89 percent of the total number of firms with licenses to carry out insurance activity). Most of them—over three-fourths—are closed-type joint-stock companies and limited-liability partnerships, while one-sixth are open-type joint-stock companies. Firms in mixed ownership predominate—49 percent of the total number of firms—36 percent are in private ownership, 10 percent are in state ownership, and 5 percent are in municipal ownership or are owned by public organizations.

Most of the companies (69 percent of the survey sample) are small firms with incorporation capital of up to R10 million, and 23 percent have incorporation capital of under R2 million.

The main clients of insurance companies among corporate entities are industrial (49 percent), agricultural (23 percent), and trading and intermediary and construction (9 percent) organizations and enterprises.

Priorities have emerged on the insurance market in forms of insurance between state and nonstate companies. State firms mostly carry out operations to provide long-term life insurance (75 percent), insure citizens' property (85 percent), and provide mandatory medical insurance (83 percent), while nonstate companies carry out operations to provide life insurance for terms of under a year (87 percent), voluntary medical insurance (96 percent), and liability insurance (90 percent).

Prices

Prices of consumer goods and paid services in 1993 increased 9.4 times over December 1992, including 9.0 times for foodstuffs (including alcoholic beverages), 7.4 times for nonfood goods, and 24.1 times for paid services to the population. Prices in city markets increased 9 times, including 8.5 times for plant-growing products and 10 times for livestock products.

The dynamics of inflation processes over 1993 were as follows. In the first half of 1993 the composite consumer prices index dropped from 126 percent in January to 118 percent in May. However, the inflation rate again began to pick up at the start of the second six months. In July the rate of increase in consumer prices was 122 percent, and in August 126 percent. In the fall the rate of price increases slowed and was 123 percent in September, 120 percent in October, 116 percent in November, and 113 percent in December.

In 1993 the rates of increase in consumer prices and prices for producer enterprises were similar. The prices of producers of industrial output increased 10 times compared with December 1992, and prices of agricultural output increased on average 8.5 times over the period. Prices for capital investments increased 11.6 times, including 11.9 times for construction and installation work.

Finances

Implementation of the Russian Federation consolidated budget for 1993 is expected to be R53 trillion for income and R64 trillion for expenditure. The budget deficit will remain around R11 trillion (7 percent of GDP) and will increase more than 18 times over 1992, despite only a 10-fold growth rate in inflation.

In 1993, unlike 1992, the greatest proportion of the income of the consolidated budget is made up of profits tax—35 percent (29 percent in 1992). The increase in revenue from this tax is largely due to the general growth in nominal profits.

The decrease in the proportion of consolidated budget income yielded by revenue from value-added tax (from 38 percent to 25 percent) in 1993 is due to the reduction in the rate of value-added tax from 28 percent to 20 percent and to 10 percent for food goods as of 1 January 1993.

The proportion of the consolidated budget income yielded by income from foreign economic activity and duties in 1993 remained at the same level as the previous year—9 and 4 percent respectively.

The main spheres of financing in 1993, as in 1992, were the national economy—30 percent of total spending, not counting loans and resources transferred in mutual settlements (35 percent in 1992)—and sociocultural measures: 27 percent (24 percent in 1992).

The proportion of expenditure on maintaining organs of state power, management, and law enforcement and also on defense remained practically unchanged at around 7 and 13 percent respectively.

Federal budget income for 1993 (estimated) totaled R29.4 trillion. The federal budget deficit, under the influence of indexation of the main expenditure headings and the implementation of new, unplanned expenditure, reached over R12 trillion (7 percent of GDP).

Federal budget income accounts for 50 percent of the total income of the Russian Federation's consolidated budget; within this figure, profits tax for 1993 accounts for around 34 percent of the relevant heading in the consolidated budget, value-added tax accounts for 65 percent, income from foreign economic activity accounts for over 96 percent, and duties account for 53 percent.

Federal budget expenditure accounts for over 51 percent of total consolidated budget expenditure (not counting resources transferred under mutual settlements, budget loans, and subventions). Federal budget expenditure on the national economy in 1993 accounts for over 28 percent of the relevant heading of expenditure in the consolidated budget, and sociocultural measures account for 19 percent.

Credit investments in the national economy totaled R30.5 trillion as of the start of 1994 and increased six times over the start of 1993; as a percentage of GDP they totaled 19 percent as of the start of 1994 as against 28 percent as of the start of 1993.

In view of the continuing inflation lending is short-term. In 1993 there was a decrease in the proportion of long-term credits granted for periods of over a year. They decreased from 5 percent of the total credit investment in the first quarter to 3 percent by the end of the year. The average term of a loan is two or three months. In March 1993 loans for terms of up to two months accounted for 66 percent of the total amount of credit placed on the stock market, in June they accounted for 98 percent, and in September they accounted for 99 percent.

With a view to weakening the inflationary influence of central credits on the economy the state took measures to limit the growth in the money supply and credit. Preferential credits (the difference between interest rates and the Bank of Russia rate was formerly covered from the budget) were abolished from October 1993. The granting of technical credits to the CIS countries was ended (they were redesignated as interstate credits and included in the state debt). The Bank of Russia discount rate (refinancing rate) was revised. In 1993 it rose six times and since 15 October has remained at the level of 210 percent.

The Russian Federation Savings Bank has over 70 percent of the population's accounts. According to operational data as of 1 January 1994, 212.2 million investors

had deposits there totaling R3,055.9 billion. The average deposit was R14,400 (R3,200 as of 1 January 1993).

In 1993 commercial banks, seeking spare resources, actively attracted resources from private investors and shareholders. The balances in the population's accounts in these banks increased on average by 31 percent per month; the corresponding figure for the Savings Bank was 14 percent. A considerable contribution to this was made by the higher interest rate on investments and deposits in most commercial banks compared with the Russian Savings Bank.

Interest rates on investments and deposits in the Russian Federation Savings Bank in 1993 rose in April and October for current accounts from 20 percent to 40 percent, for fixed-term deposits from 60 percent to 120 percent, for special-purpose deposits for children from 80 percent to 190 percent, and for deposits according to term and amount from 80-90 percent to 120-150 percent. New types of deposits for sums between R500,000 and R1 million and terms of six months or a year were introduced, and as of the end of 1993 the interest rates on them were 120 percent and 160 percent; for some of over R1 million and R5 million the rates were 170 percent and 180 percent respectively for a one-year term.

Population's Living Standard and Incomes

The population's money incomes, boosted by the incomes of people engaged in entrepreneurial activity, totaled R78.3 trillion in 1993, an 11-fold increase over 1992. Here 73 percent of the growth in incomes came from increased earnings, 16 percent was attributable to social payments, and other income accounted for 11 percent.

Money incomes taking account of the consumer price index increased 9 percent, while disposable money incomes increased 10 percent.

In family income patterns revenue from state and cooperative organizations fell from 78 to 74 percent, social payments rose from 13 to 15 percent, and other income (from the sale of produce, livestock, and buildings and craft work) rose from 9 to 11 percent.

For the bulk of the population wages are the main source of money income. In December 1993 the average wage in Russian economic sectors totaled R141,200, an increase of 39 percent over November.

Average monthly wages in December totaled R145,700 in industry, R194,900 in construction, R88,700 in agriculture, R112,500 in health care, physical culture, and social welfare, R98,300 in education, R84,900 in culture and art, and R95,300 in science and scientific services.

In December 1993 approximately half of all working people had wages below the Russian average. Around 2 percent of working people had wages lower than the minimum wage (R14,620). At the end of the year the

average wage of the highest-paid 10 percent of working people was 27 times that of the lowest-paid 10 percent.

The size of pension payments was revised quarterly throughout 1993. The minimum old-age pension increased from R2,250 in January to R26,320 in December 1993 (taking compensation payments into account). It is estimated that as of 1 January 1994 the average size of a designated monthly pension totaled R39,400, including the old-age pension of R41,400.

The stratification of society into rich and poor is proceeding rapidly. Currently the incomes of the most affluent 10 percent are 11 times greater than the incomes of the least affluent 10 percent, whereas the correlation was 7.5-8 times at the end of 1992 and 4.5 times in 1991. By the end of 1993, 33 million people (22 percent of the total population) had average per capita monthly incomes lower than the subsistence minimum. (The subsistence minimum is calculated on the basis of a Russian Federation Ministry of Labor methodology taking account of the sex and age mix of the population. Under this methodology the subsistence minimum includes: expenditure on food products calculated on the basis of the minimum consumption levels defined by the Nutrition Institute of the Russian Academy of Medical Sciences, the Institute of Socioeconomic Problems of the Population of the Russian Academy of Sciences, and the Russian Ministry of Labor; expenditure on nonfood products and services; and also taxes and compulsory payments, based on the expenditure patterns of the least affluent 10 percent of families). In December it totaled R42,800 per capita, including R48,400 for the work-capable population, R30,200 for pensioners, and R42,800 for children.

Differentiation among the population in terms of property is less substantial than for incomes. According to figures from a Russia-wide survey of households, families with incomes below the subsistence minimum have 8 percent fewer refrigerators, 11 percent fewer washing machines, 26 percent fewer color television sets, 20 percent fewer sewing machines, and 25 percent fewer tape players and wall units than other families.

In 1993 the population of Russia spent a total of R53.8 trillion on purchasing goods and services—up 10.4 times in comparison with 1992—and R6.3 trillion on taxes and contributions—up 10.2 times; while the growth of savings on deposit and in securities and of spending on the purchase of foreign currency totaled R10.9 trillion—up 32.2 times.

The population's income exceeded its expenditure by R7.3 trillion. At the end of 1993 residual money in hand (adjusted for cash held by commercial organizations) exceeded R8.4 trillion.

Some 46 percent of the population's consumer spending went on food (47 percent in 1992), 44 percent went on nonfood products (41 percent in 1992), and 7.5 percent went on services (7.7 percent).

In 1993 there was a change of trend in the dynamics of the population's consumption of basic food products. Whereas 1992 had seen a decline in per capita consumption of meat, dairy, and fish products and fruit and vegetable produce, 1993 saw something of a return to the previous consumption level.

The Population's Employment

In 1993 71 million people, or 48 percent of the total population, were employed in Russia's economy. The nonstate sector, in which more than 40 percent of working people are now employed, is starting to play an increasingly large role.

The numbers of working people in the main sectors of the social complex—public education and health care—increased in 1993 compared with 1992. The numbers of people working in credit provision and state insurance, in tax inspectorates, in notarial offices and legal services are growing steadily—which attests to the start of the formation of an infrastructure characteristic of a market economy. At the same time there has been a drop in the numbers employed in science and scientific services and in planning and planning-surveying organizations.

By the end of 1993 the total number of persons out of work and actively seeking it, as well as persons working part-time (potentially unemployed), stood at 7.8 million, or 10.4 percent of the economically active population. Of these, 3.8 million people (5.1 percent) are classified as unemployed in accordance with ILO methodology. Some 0.8 million people, or 1.1 percent of the economically active population, have official unemployed status.

The average coefficient in Russia for the number of unemployed persons seeking work per vacancy in employment services stands at 3.1.

The labor market situation merits special attention in the republics of Mari El, Dagestan, Chuvashia, Adygea, and Mordovia and in Pskov, Yaroslavl, and Ivanovo Oblasts, where, given the high level of unemployment, the opportunities for finding work for the unemployed population are limited. In these regions between 16 and 33 people chase every job on offer at the employment office, and 54 people in the Republic of Mari El.

Territorial and professional-qualificational disproportions in the supply and demand for manpower on the labor market are manifested in growing unemployment in a stagnant form. There has been an increase in the proportion of people who have been unemployed for more than four months; by the end of the first quarter of 1993 they made up 42 percent of the total number of unemployed, and now they make up approximately 56 percent. The proportion of citizens for whom work has been found within the total number of those seeking work is practically unchanged (6-8 percent each month).

The problem of unemployment is most acute for women (approximately 70 percent of the officially registered unemployed).

As of 1 October 1993, 1.1 million people (3.3 percent of working people) were working an incomplete work week in industry, construction, transport, communications, domestic services for the population, science, and scientific services in 1993. During the period since the beginning of the year 3.7 million people took unpaid or partly paid vacations on the management's initiative.

The largest scale of partial unemployment was observed in enterprises of the textile industry, tractor and agricultural and diesel machine building, and the electrical engineering industry, where between 40 and 60 percent of employees took additional vacations or were transferred to an incomplete work week.

In 1993 strikes lasting one day or more were recorded at 265 enterprises, establishments, and organizations in Russia—four times fewer than in 1992. A premeditated cessation of work was noted primarily in enterprises and organizations of the fuel industry, transport, communications, and construction. In 1993 there was a shortfall of output worth almost R8 billion in connection with strikes. The largest number of strikes was noted in March, in August-September, and during the last two months of the year.

The main reasons for mass absenteeism and work stoppages owing to strikes were delays over paying wages, demands for a wage increase, and failure to fulfill tariff agreements. There were strikes for these reasons in 21 regions of the country.

The Housing Problem

Approximately 10 million Russian families (19 percent of the total number, of whom 1.3 million families—13 percent—have been waiting for housing for 10 years or more) are currently standing in line to obtain housing in Russia.

Some 4.5 million people (3.0 percent) are living in communal apartments, and 6.5 million people (4.4 percent) in hostels. More than 20 percent of the housing stock is not provided with a water supply, a sewer system, centralized heating, or gas.

Education

In 1993 daytime general educational schools in the state network were attended by 20.6 million pupils, which corresponds to 100.4 percent in relation to 1992, while preschool establishments were attended by 6.6 million children (91 percent). Higher and secondary specialized educational institutions were attended by 2.5 million and 2.0 million students respectively, and in 1993 they trained 444,000 and 547,000 specialists.

In the 1993-1994 academic year 95,000 students are studying on conditions of full reimbursement of costs (49,000 in the 1992-1993 academic year).

The problem of finding work for graduates of schools, vocational and technical schools, technical colleges, and VUZ's [higher educational institutions] has been exacerbated. In 1993, owing to a lack of applications and to employers' rejections of graduates for whom applications had been made earlier, 55,000 VUZ graduates (20 percent) and 124,600 graduates of secondary specialized educational institutions (33 percent) did not receive a posting to a job.

Alternative education was developing in many regions of the Russian Federation in 1993. At the start of the current academic year more than 300 lycees (over 200,000 pupils) and approximately 600 grammar schools (over 400,000 pupils) were functioning. There were 368 nonstate general educational schools (0.5 percent of the total number of schools), attended by 33,000 pupils (0.2 percent).

Demographic Situation

During 1993 the country's population fell by 300,000, or by 0.2 percent, and stood at 148.4 million by the beginning of 1994. This was a consequence of unfavorable processes with regard to the birth and death rates, determined not only by the contemporary situation but also by the nature of demographic development in the past. Some 1.4 million babies were born in 1993—226,000 or 14 percent fewer than in 1992. The birth rate indicator per 1,000 of the population fell correspondingly from 10.7 to 9.2.

The number of deaths during the year increased by 360,000, or 20 percent, and stood at 2.2 million, while the overall death rate indicator per 1,000 inhabitants increased to 14.6 from 12.2; at the same time 348,000 people died from traumas and poisonings—40 percent more than in 1992.

The death rate for the population of able-bodied age grew at a preferential rate and increased by one-third over the year, while the proportion of persons of this age in the total number of those who died increased to 30 percent from 27 percent in 1992.

Unfavorable changes in the birth and death rates led to an increase in the population's natural diminution: 800,000 or 60 percent more deaths were registered than births (in 1992 there had been 220,000 or 14 percent more).

Ecological Situation

In 1993 there was a certain reduction in the discharge of pollutants into the atmosphere and water expanses, connected mainly with the decline in industrial production.

An extremely high level of pollution of water expanses (100 and more times in excess of maximum permissible norms) was observed in Sverdlovsk, Perm, Chelyabinsk, Murmansk, Orenburg, Kemerovo, and Kaliningrad oblasts. The greatest pollution in terms of the number of incidents and the quantity of components was recorded in

the Volga basin with the Oka and Kama tributaries and in the Ob basin with the Irtysh and Tobol tributaries.

Discharge of pollutants into the atmosphere declined, according to estimates, by over 10 percent compared with 1992. Instances of extremely high pollution of the atmosphere were not recorded. But every month pollutants were noted in the atmosphere of 10-20 cities in concentrations 10 and more times in excess of the norm. This occurred most frequently in Moscow, Omsk, Dzerzhinsk, Novorossiysk, Ufa, Kemerovo, Samara, Norilsk, and Komsomolsk-na-Amure.

Crime

In 1993 there were 2.8 million crimes recorded (101.4 percent of the 1992 level) including 29,200 premeditated murders (127 percent), 66,900 (124 percent) cases of premeditated grievous bodily harm, 184,000 thefts, (112 percent), 40,200 robberies (132 percent), and 14,400 (106 percent) cases of aggravated rape.

As before the most widespread forms of crime were thefts of state and public property (516,000, a reduction of 7 percent) and of citizens' personal property (1.064 million, a reduction of 3 percent). The proportion of these types of crime in the overall figure of recorded crimes rose from 50 percent in 1990 to 56 percent in 1993.

There is an increase in the scale of the illegal circulation of arms. The number of thefts of weapons and ammunition in 1993 compared with 1992 increased 23 percent, with 1,396 cases. Some 22,100 crimes were committed with the use of firearms, ammunition, and explosives.

Over the year 53,200 crimes connected with narcotics and substances with powerful effects (an 80-percent increase compared with 1992) including 912 large-scale crimes (a twofold increase). About 20 tonnes of narcotics and substances with powerful effects were confiscated from criminals, as were 118 tonnes of plants with a narcotics content.

In the economic sphere 110,000 crimes were detected. Almost one third (37,300) consisted of thefts through misappropriation, embezzlement, and the abuse of official positions. The number of detected cases of bribery rose 35 percent.

Over 1993 the law enforcement organs uncovered 1.3 million people who had committed crimes (10 percent more than in 1992). Every third criminal had committed a crime in a group and every other criminal had committed a crime while drunk.

The spread of crime in Russia was 1,883 crimes per 100,000 members of the population (in 1992 the figure was 1,857 crimes). The crime detection rate increased from 47 percent in 1992 to 51 percent in 1993.

1993 Tax Service Results Summed Up*944E0561A Moscow MOSCOW NEWS in English
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[Article by Irina Dyomina: "Tax Police Have Their Work Cut Out for Them: Russia's Tax Service Sums Up the Results of 1993"]

[Text] According to data furnished by the Department of Tax Police, the majority of tax violations were committed by limited-liability companies (25 percent) followed by private enterprises (11 percent) and joint ventures (5 percent). Overall, among tax-dodging enterprises, there are ten times as many commercial organizations as state enterprises.

Head of the Russian Federation State Tax Service Vladimir Gusev said at a press conference on February 21, serious violations of the current state tax legislation consist of: concealment or understatement of expenditures, falsification of accounting records, an erroneous application of tax rates and tax privileges, depositing hard-currency earnings into accounts in foreign banks in violation of the relevant laws.

One of the causes of such violations is that the system of taxation is much complicated. There are too many local taxes (over 20, and practice has shown that their effectiveness is very low). Moreover, the payment of taxes is often late, in part for the lack of relevant information.

Foreign economic activity is the sphere plagued with the most criminal activity. It is in the lead as regards hard-currency budgetary indebtedness. Over 1,000 legal entities have been identified which have failed to register with the tax inspectorates. Commercial banks which open several accounts for a single enterprise simultaneously are also among violators of tax laws.

In 1993, taxes as a share of the gross domestic (national) product stood at 23.4 percent, and tax debts at 25.2 percent. As compared to 1992, those figures have fallen by 2.7 and 1.3 percent, respectively, as a result of the fall in the VAT rates, a slowdown in profit growth and an increase in the number of tax privileges and incentives. One result of the recent tax amnesty has been the channelling into the budget of over 330 billion rubles from 44,000 legal entities and 3,000 individual persons.

The combined enterprise debt owed to the state in unpaid taxes comprised 8 percent of the total sum of taxes earlier this year. The number of the debtor regions, for VAT, has reached 38 and for the corporate profit tax—14.

Head of the Tax Police Department Sergei Almazov reported that in 1993 on the results of tax audits, debtors were obligated to pay 600 billion rubles, 120 million dollars and 2 million DM. A total of 617 law suits were filed against offenders but only a handful of persons were brought to justice. He explains the great difference in figures by lack of adequate legislation and trained personnel.

The tax bodies are often accused of prejudice and corruption, says Vladimir Gusev. But of the 17 suits examined in court only one was settled in favor of a taxpayer. During the past year only 33 tax-service officials were sued, the total tax personnel being close to 132 thousand. Simultaneously, 100-odd attacks on tax officers were registered.

Appeal, Draft Agreement on Cooperation of Government, Manufacturers' Federation*944E0556A Moscow NEZAVISIMAYA GAZETA
in Russian 1 Mar 94 pp 1,3*

[Appeal to the President and Government of the Russian Federation and draft of a cooperation agreement transmitted by Yuriy Skokov, Chairman of the Federation of the Commodity Producers of Russia: "What Will be Viktor Chernomyrdin's Answer?; the Commodity Producers Have Proposed the Signing of a Cooperation Agreement to the Government"]

[Text] As has become known from well-informed sources, a few days ago the Chairman of the Federation of the Commodity Producers of Russia [FTR], Yuriy Skokov, transmitted to the president and government of the Russian Federation an appeal from the Council of the FTR and the draft of an agreement on the cooperation of the government and the FTR.

Considering the serious and urgent nature of these documents, as well as certain special features of the present situation in Russia, we are citing them in full.

Yu. Skokov had previously already carried on negotiations with the prime minister and the closest assistants of the president with respect to questions of guaranteeing the interests of domestic commodity producers. These discussions were held in a constructive spirit.

It is not difficult to observe that certain provisions of the appeal of the FTR Council to the government were utilized in Boris Yeltsin's message to the Federal Assembly.

Appeal of the Council of the Federation of the Commodity Producers of Russia to the Government of the Russian Federation

The Second Congress of the commodity producers of Russia, which took place in December 1993, defined the basic problems of domestic commodity production and formulated the immediate and strategic goals of the association of commodity producers.

The position of the commodity producers with respect to questions of their cooperation with organs of state power is stated and demands regarding the creation of conditions ensuring such cooperation expressed in the Declaration of the Rights of Commodity Producers adopted at the congress. The indicated declaration was sent to the Government of the Russian Federation.

On the instructions of the Congress the Council of the Federation of Commodity Producers considers it necessary to direct the attention of the government to the fact that the growth of negative processes in the sphere of commodity production which is going on at the present time threatens to cause a chain reaction of dramatic social, political and economic consequences.

Tension in the economy has reached a critical point. Forced large-scale open and hidden unemployment can become the powerful detonator of a social explosion, since the state is not in a position to guarantee the protection of the basic social rights of the unemployed and there is no law regulating the relations of the unemployed with the state and fixing the duties and obligations of the state in relation to a person who has to all intents and purposes become a hostage of irresponsible experiments and political games.

It is necessary, finally, to honestly say that the basic cause of the developing inflation is the catastrophic drop in commodity production. The methods of struggling with inflation being practiced can only lead to the complete collapse of the economy. The means of regulating the economy being proposed are inadequate for the state of the national economy and have led to the fracturing of the resources and commodities markets and those of financial and industrial capital, and to investment and payments crises. As a result complete collapse threatens the economy and disintegration and chaos the state.

The Council of the Federation of Commodity Producers:

- proposes that the Government of the Russian Federation conclude an agreement defining the procedure for the implementation of the Declaration of the Rights of Commodity Producers and the cooperation of the parties in developing a coordinated position in the tactics and strategy of the further reformation of the economy;
- considers immediate consultations of the chairman of the Government of the Russian Federation with the chairman of the Federation of the Commodity Producers of Russia for the purpose of discussing and adopting an agreement and a joint plan of actions to be necessary;
- insists on the promulgation by the government of a precise plan of actions for stabilizing the economy and preventing the destruction of technological and intellectual potentials;
- considers it advisable for the agreement to be discussed in labor collectives and implemented in cooperation with the heads of administrations, regional unions of commodity producers and interregional associations for the economic cooperation of the subjects of the Federation.

If the government does not see the need for a joint search for ways to get out of the crisis and for securing a

qualitatively new system of interrelations with commodity producers, then the Federation Council thinks that the government has a right to reach such a decision. However, it should be kept in mind that the economic reforms begun in the name of democracy and a better life for the citizens of Russia should not become the next tragedy in the country's history, which imposes a special responsibility in relation to the people and to history on all who have taken the levers of power into their hands.

The draft of an agreement of the Government of the Russian Federation with the Federation of Commodity Producers is attached.

On the instructions of the Council of the Federation of the Commodity Producers of Russia

Chairman of the Federation of the Commodity Producers of Russia Yu. Skokov

Draft Agreement on the Cooperation of the Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia

Recognizing the need to combine the efforts of the Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia for the purpose of:

- formulating a stable system of commodity production and a stage-by-stage large-scale restructuring of Russia's economy on new principles and creating a balanced national economy on this basis;
- retaining strategic and work-available resources, including the country's scientific-technical and technological potential;
- setting up a national self-developing market oriented to the domestic commodity producer and creating new forms for the self-organization of commodity producers on the regional and interregional levels;
- realistically achieving the social guarantees of all subjects of commodity production;
- creating an effective system for the cooperation of the Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia in implementing economic transformations in the country secured by procedures for the coordination of the interests, principles, and procedures of joint actions;

the Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia conclude the following agreement:

Article 1

The Government of the Russian Federation recognizes the "Declaration of the Rights of the Commodity Producers of the Russian Federation" as one of the basic

documents when developing the strategic course of economic reforms and the methods of its implementation.

The Government of the Russian Federation expresses a willingness to work out joint positions and concerted action with the Federation of the Public Associations of the Commodity Producers of Russia, which is the authorized representative of the associations of Russian commodity producers.

Article 2

The Federation of the Public Associations of the Commodity Producers of Russia is to ensure the coordination of the economic policy of the Government of the Russian Federation with federal and regional associations of commodity producers and with labor collectives.

For the purpose of implementing understandings achieved with the Government of the Russian Federation on the basis of a coordinated position the Federation of the Public Associations of the Commodity Producers of Russia is to ensure the combining of the efforts of commodity producers and labor collectives with respect to their implementation in cooperation with the organs of regional power.

Article 3

For the purpose of organizing the direct cooperation of the Government of the Russian Federation with the Federation of the Public Associations of the Commodity Producers of Russia and of taking into account the position of domestic commodity producers when developing and reaching governmental decisions with respect to problems of the social and economic development of the country, the Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia are to form a joint council of experts on commodity production within a month from the date of the signing of the present agreement.

The activity of the council is to be regulated by a Statute on the council of experts on commodity production approved by the Government of the Russian Federation in coordination with the Council of the Federation of the Public Associations of the Commodity Producers of Russia.

The staff of the council of experts is to be organized by the Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia.

Article 4

Within two weeks from the date of the signing of the agreement the Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia are to create joint commissions on the basis of parity consisting of representatives of the Federation of the Public Associations of the Commodity Producers of Russia and the interested

ministries and departments of the Russian Federation for examination of the immediate problems of domestic commodity production.

Article 5

The Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia are to form a conciliation board (*soglasitelnaya kommissiya*) under the chairmanship of the first deputy chairman of the Government of the Russian Federation and the chairman of the Federation of the Public Associations of the Commodity Producers of Russia for coordination of the basic directions of joint activity with respect to the implementation of social and economic policy.

In the process of preparing and discussing the drafts of the economic programs of the Government of the Russian Federation representatives of the appropriate committees of the State Duma and the Council of the Federation of the Federal Assembly of the Russian Federation are to be able to participate in the work of the conciliation board.

Article 6

The Government of the Russian Federation is to refer draft bills on questions of economic policy to the coordination of the Federation of the Public Associations of the Commodity Producers of Russia for the conducting of an independent public appraisal.

The Federation of the Public Associations of the Commodity Producers of Russia is to submit its own proposals and observations to the Government of the Russian Federation within agreed-upon time periods, in case of the adoption of which it is to be obliged to ensure the development of a mechanism for their implementation in the commodity production system.

Article 7

For the purpose of stabilizing the economic activity of the economic complexes of the regions and of working out new organizational forms for implementing regional economic policy the Federation of the Public Associations of the Commodity Producers of Russia is to render methodological and organizational assistance for the self-organization of commodity producers on the regional level and to promote the coordination of the activities of commodity producers and organs of regional power under conditions of the decentralized management of the economy and a change in the principles of shaping regional and industrial policy.

Article 8

The Government of the Russian Federation and the Federation of the Public Associations of the Commodity Producers of Russia are to be obliged to examine the course of the implementation of the present Agreement no less than twice a year.

Article 9

The present agreement is to enter into force from the moment of its signing and is to operate indefinitely unless one of the parties officially notifies the other party of the need to review and change it or to cease its operation.

As we have been informed, Viktor Chernomyrdin and Oleg Soskovets have familiarized themselves with the appeal of the Federation of Commodity Producers of Russia. However, as yet the government has not given its answer to the FTR's proposal.

Decree on Government Delegation of Powers in Property Management

944E0562A Moscow ROSSIYSKAYA GAZETA
in Russian 19 Feb 94 First Edition p 5

[Text of "Russian Federation Government Decree No. 96, Moscow, 10 February 1994, 'On Delegation of Powers By the Russian Federation Government in the Management and Disposition of Federally-Owned Facilities'"]

[Text] For the purpose of improving administration of the state sector of the economy and in conformity with Article 114 of the Russian Federation Constitution, the Russian Federation Government decrees:

1. That decisions on the establishment and elimination of state enterprises regarded as federal property (hereinafter called federal enterprises) are to be made by the Russian Federation Government on the basis of a joint representation by the State Committee on the Administration of State Property, the Russian Federation Ministry of Economics, and the federal organ of executive authority which has been charged with coordination and regulation of activity in the sector (sphere of administration) concerned in conformity with the laws in effect.

Decisions on the establishment and elimination of federal enterprises are subject to coordination with the organs of executive authority of Russian Federation subjects on whose territory the enterprises are located with respect to matters which require such coordination in conformity with laws of the Russian Federation.

2. That the Russian Federation State Committee on the Administration of State Property and the Russian Federal Property Fund, in accordance with the Russian Federation Government's decision, speak as founders on behalf of the state at enterprises established with the participation of other persons.

Representatives of the state at the enterprises cited are appointed by the Russian Federation Government or on its behalf by the Russian Federation State Committee on the Administration of State Property and the Russian Federal Property Fund.

The competence of federal organs of executive authority to manage state property which is regarded as federally-owned when federal enterprises are changed into joint-stock companies and privatized is defined by Russian Federation laws on privatization.

3. In cases when establishment of a federal enterprise is financed with funds from the federal budget, the decision on its establishment is made by the Russian Federation Government on the basis of a joint representation by the Russian Federation State Committee on the Administration of State Property, the Russian Federation Ministry of Economics and Ministry of Finance, and the appropriate federal organ of executive authority.

Decisions on the transfer of funds from the federal budget to the Russian Federation State Committee on the Administration of State Property and the Russian Federal Property Fund for the payment of contributions to the charter capital of enterprises being established are made in the same procedure.

4. Decisions on the reorganization of federal enterprises which do not provide for a change in their form of ownership are made by the Russian Federation State Committee on the Administration of State Property in coordination with the federal organ of executive authority which has been charged with coordination and regulation of activity in the sector (sphere of administration) concerned, the Russian Federation Ministry of Economics, and (or) the Russian Federation State Committee for Antimonopoly Policy and Support of New Economic Structures.

5. The competence of the Russian Federation State Committee on the Administration of State Property is to include, together with the other powers granted to it by Russian Federation laws:

—implementation of juridical actions related to the establishment, reorganization, and elimination of federal enterprises, except for those whose right of implementation has been delegated by the Russian Federation Government to other federal organs of executive authority in conformity with this decree;

—the transfer of state property considered as federally-owned in the established procedure with full economic jurisdiction and operations management, as well as under a lease, for the use of juridical persons on the basis of contracts concluded with them; and

—control over the designated use and safety of state property considered to be federally-owned which is assigned to federal enterprises with the right of full economic jurisdiction and to federal state institutions with the right of operations management, as well as the property transferred to other persons in the established procedure.

The Russian Federation State Committee on the Administration of State Property has the right to assign implementation of its powers to other territorial agencies.

6. The federal organ of executive authority charged with coordination and regulation of activity in the sectors (spheres of administration) concerned are to be granted the right:

- to approve the charters of federal enterprises in conformity with the standard charter approved by the Russian Federation State Committee on the Administration of State Property; and

- to appoint and dismiss the managers of federal enterprises and to conclude, change, and cancel contracts with these managers in the procedure established by laws in effect.

The organs cited are the legal successors with respect to the contracts concluded previously with the managers of federal enterprises by the organs of state administration of the Russian Federation, the former USSR, and the RSFSR, as well as by concerns, associations, and other associations of enterprises during the period when they were granted the powers concerned.

The conclusion of contracts with newly appointed managers, as well as the renewal of contracts upon the expiration of the periods for which they were concluded, is to be based on the model contract adopted by the Russian Federation State Committee on the Administration of State Property.

7. A federal enterprise is to dispose of the property assigned to it exclusively in conformity with the specific assignment of property stipulated when it is transferred or the enterprise charter.

A federal enterprise does not have the right to sell the real property assigned to it, to use it as payment for the charter capital of other enterprises, to lease it, to transfer it as security or to make use of this property by other means without the consent of the Russian Federation State Committee on the Administration of State Property or its territorial agency.

In the event that this property is lost by a federal enterprise, it is not utilized in conformity with its specific purpose, or established rules for its use are violated, the Russian Federation State Committee on the Administration of State Property has the right to confiscate the enterprise's property to which the restrictions stated in this paragraph apply or to reorganize the enterprise in the procedure established by Russian Federation laws.

8. In order to monitor the specific use and safety of state property considered as federally-owned which is assigned to federal enterprises with the right of full economic jurisdiction and to federal state institutions with the right of operations administration, as well as

property transferred in the established procedure to other juridical persons, the Russian Federation State Committee on the Administration of State Property and its territorial agencies, as well as the federal organs of executive authority cited in Paragraph 6 of this decree which have coordinated with it, have the right to assign and conduct documentary and actual checks (inspections, inventories), and to assign audits.

9. Federal organs of executive authority have the right to make decisions on the establishment, reorganization, and elimination of federal state institutions under their jurisdiction if these decisions are made within the limits of their budgetary allocations and work force.

Federal organs of executive authority and the federal state institutions subordinate to them are to own state property with the right of operations management and have the right to dispose of this property only with the consent of the Russian Federation State Committee on the Administration of State Property.

The procedure for use of administration buildings and office facilities intended for federal organs of executive authority and state institutions is determined by the Russian Federation Government.

10. Within 1 month, the Russian Federation State Committee on the Administration of State Property is to:

- draft, adopt, and record a standard charter for a federal state enterprise and a model contract with its manager;

- submit for approval by the Russian Federation Government a draft Statute on the Russian Federation State Committee on the Administration of State Property, defining its powers in conformity with this decree; and

- to draft a statute, jointly with the Russian Federation Ministry of Economics and Ministry of Finance, on procedural matters related to the establishment, elimination, and reorganization of federal enterprises, as well as the confiscation of their property which is not being used in conformity with the specific assignment or charter objectives for the enterprise's activity, and submit it for approval by the Russian Federation Government.

11. The procedure for administration of federal property located abroad is defined by special decrees issued by the Russian Federation Government.

12. Decisions made by the Russian Federation State Committee on the Administration of State Property and its territorial agencies in the procedure established before this decree came into effect by the Russian Federation Supreme Soviet decree of 27 December 1991 "On the Delimitation of State Property in the Russian Federation to Federal Property,

the State Property of Republics in the Russian Federation, and Krays, Oblasts, Autonomous Oblasts, Autonomous Okrugs, the Cities of Moscow and St. Petersburg, and Municipal Property" retain their legal force.

13. Within 1 month, federal organs of executive authority are to cancel official departmental documents that have been issued which are in conflict with this decree and to submit proposals in the established procedure to introduce formal documents of the Russian Federation in conformity with this decree.

[Signed] Chairman of the Russian Federation Government V. Chernomyrdin

Edict on Certain Amendments to Taxation, Budget Interrelations

944E0547A Moscow *EKONOMIKA I ZHIZN*
in Russian No 2, Jan 94 p 16

["Edict of the Russian Federation President: On Certain Amendments to Taxation and the Interrelations of Budgets of Various Levels"]

[Text] With the aim of effecting priority measures to improve the taxation and budget system in the Russian Federation, and on the basis of Points 2 and 3 of Edict of the Russian Federation President No. 1598 "On Legal Regulation During the Period of Phased Constitutional Reform in the Russian Federation," dated 7 October 1993, I decree

1. To repeal effective 1 January 1994 the procedure in effect for taxing the incomes of banks, credit institutions, and insurance organizations, and to establish that their taxation shall be effected according to the procedure and under the conditions prescribed in the Russian Federation Law "On Taxation of Profits of Enterprises and Organizations."

To stipulate that the Russian Federation Central Bank and its institutions shall pay taxes on profits obtained from activity not related to the regulation of monetary circulation.

That the Russian Federation Ministry of Finance and the State Tax Service of the Russian Federation will submit within one month, on the recommendation of the Russian Federation Central Bank and Russian Federal Service for Oversight of Insurance Activity, to the Council of Ministers-Government of the Russian Federation, proposals on the particularities of determination of gross profit, outlays included in producer cost, and procedure for the formulation of financial results taken into account in the taxation of bank profits and insurer profits.

2. To establish the rate of taxation on enterprise and organization profits to be credited to the republic budget of the Russian Federation as amounting to 13 percent.

To afford the organs of state power of Russian Federation entities the right to independently increase the rate of taxation on profits, but not by more than 25 percent for enterprises and organizations, and not by more than 30 percent for banks and insurers.

Prior to the adoption of appropriate resolutions by the organs of state power of Russian Federation entities, to establish the rate of taxation on profits for all taxpayers in the amount of 22 percent.

Additional amounts received from collection of the above-mentioned tax shall be credited to the income of the budget of the appropriate Russian Federation entity.

3. To increase in 1994 the amount not subject to profits tax of outlays by enterprises and organizations for wages to six times the amount of the minimum wage in the Russian Federation established by law. To repeal the use of an increased tax rate for enterprises that exceed the prescribed limitations.

That the Council of Ministers-Government of the Russian Federation shall approve within one month the procedure for determination in 1994 of the standardized amount of outlays for the wages of workers at enterprises and organizations.

To establish that payment of profit tax on the amount of wage outlays that exceeds their standardized amount shall be made by all taxpayers, regardless of the results of their activity or the existence of benefits regarding taxation of profits (including exemption from tax on profits), to the republic budget of the Russian Federation at the rate of 13 percent and to the budgets of Russian Federation entities—at the rates in effect for entry of the above-mentioned tax into these budgets.

To exempt from payment of tax on the amount of wage outlays that exceeds their standardized amount peasant (owner-operated) farms, kolkhozes, sovkhozes, and other agricultural enterprises, under the condition that proceeds from the sale by them of their own agricultural production output exceeds 70 percent of the total amount of their proceeds from the sale of production output (work, services).

4. To establish that income received by juridical persons from state bonds and other state securities, as well as from services rendered in the floating of state securities and reserves of the Federal Treasury of the Russian Federation and its territorial organs, is not subject to tax on profit.

5. To exempt from taxation:

- profits directed towards the shareholder financing of production and nonproduction capital investments and profits directed towards paying off bank credits obtained and used to these ends;
- profits directed towards the conduct of scientific research and experimental design work by enterprises and organizations, and profits going to the Russian Fund for Fundamental Research and Russian Fund for Technological Development, but not more than a total of 10 percent of the taxable profit;
- profits directed in the form of voluntary contributions to the Fund for Support of Entrepreneurial Activity and Development of Competition, established in accordance with Decree of the Council of Ministers-Government of the Russian Federation No. 268 dated 1 April 1993;
- profits directed towards the replenishment of insurance reserves for life insurance within the percentage limits stipulated in the wage rate structure coordinated with the Russian Federal Service for Oversight of Insurance Activity.

6. To exempt enterprises located (relocated) in regions suffering from radioactive contamination as a consequence of the Chernobyl and other radiation catastrophes from the payment of tax on profits they receive from the completion of planning and design work, construction and installation projects, motor vehicle transportation and repair work, and the manufacture of parts and components used in construction, where the percentage of the total profit volume consisting of profit from the performance of work to eliminate the consequences of radiation catastrophes constitutes at least 50 percent; to exempt such enterprises and organizations at which profit from this work amounts to less than 50 percent from the payment of tax on that portion of profit that was received as a result of this work. The listing of regions so designated is determined by the Council of Ministers-Government of the Russian Federation.

7. To exempt from taxation:

- profits of social organizations for invalids directed towards supporting the charter activity of these organizations, or profits spent independently to support the social needs of invalids;
- profits of state and municipal museums, libraries, philharmonic collectives, theaters, palaces of culture, circuses, zoos, and cultural and recreational parks, generated by their main activity;
- profits of enterprises generated from the sale of agricultural production output produced and processed by these enterprises;

—profits of production (labor) workshops at institutions for social protection and social rehabilitation of the populace;

—profits of enterprises of the Federal Forestry Service of Russia generated by the processing and disposal of low-grade and small merchantable wood, the products of sanitation felling, and the sale of production output from secondary use of forests, under the condition that this profit is used for forestry management;

—profits of organizations of the Russian Federation Pension Fund obtained from the capitalization of temporarily free funds of these organizations, which are directed towards payment of pensions and benefits and the conduct of other measures for social protection and social rehabilitation of the populace;

—profits of banks and credit institutions generated from the extension of special-purpose credits for a term of three years or more to enterprises of any organizational-legal form, which are used for capital investments in the development of their own production base.

8. Point 7 of Article 7 of the Russian Federation Law "On the Tax on Profits of Enterprises and Organizations" is applicable to the benefits stipulated in Point 5 and the last paragraph of Point 7 of this Edict.

9. With the aim of stimulating the development of small business activity, to establish that for the first two years of operation, the following do not pay tax on profits: newly established small enterprises (including those established prior to 1 January 1994) engaged in the production and processing of agricultural output, production of food produce, consumer goods, medical equipment, medicinal preparations, items for medical use, technical equipment for disability prevention and disability rehabilitation, and in the construction of housing, production, social, and environmental protection facilities (including repair and construction work), under the condition that the earnings from these types of activity exceed 70 percent of the total earnings of these enterprises from production output sales (work, services). During the third and fourth years of their operation, these small enterprises pay tax on profits in the amount of 25 and 50 percent, respectively, of the base rate, if the earnings from the enumerated types of activity constitute more than 90 percent of the total amount of earnings from their production (work, services) sales.

For the purposes of this Edict, to establish that:

—by small enterprises is meant enterprises with average number of payroll employees not in excess of 200 individuals, where the share of authorized capital attributable to state and municipal ownership and ownership by social organizations is not greater than 25 percent;

- when a small enterprise terminates activity in connection with which it was afforded tax benefits prior to the expiration of five years (beginning as of the date of its state registration), the amount of tax on profits is subject to payment to the republic budget of the Russian Federation in the full amount for the entire period of activity of the enterprise.
10. To establish that tax on profits at two-thirds the rate shall be paid by the following:
- banks that extend quarterly at least 50 percent of their total credits to peasant (owner-operated) farms, kolkhozes, sovkhozes, and other agricultural enterprises that process agricultural output, and to small enterprises (with the exception of those engaged in supply and sales, trade, or purchasing activity);
 - insurers receiving at least 50 percent of their insurance payments over the accounting period from insurance on the property interests of peasant (owner-operated) farms, kolkhozes, sovkhozes, other agricultural enterprises, and small enterprises.
11. To stipulate that in cases of the sale or transfer without compensation of fixed capital and facilities whose construction is not complete, the acquisition and erection of which involved tax benefits to enterprises with respect to profit tax, the taxable profit over the course of two years from the moment of obtainment of these benefits is subject to increase by the amount of the residual value of these facilities and outlays made.
12. To establish that advance payments shall be made to the profit tax payment account for tax on profits by all taxpayers (with the exception of foreign juridical persons) no later than the 15th of each month in equal proportions in the amount of one third the quarterly amount of tax.
- To exempt from advance tax payments on profits: small enterprises, investment funds, enterprises that extract precious metals, and budget-financed organizations.
13. To stipulate that fixed capital and intangible assets and stocks appearing on the taxpayer's balance sheet are subject to the tax on property of enterprises. The cost of property pooled by enterprises for the purpose of carrying out joint activity without the creation of a juridical person is calculated for tax purposes by the participants contributing the property for the joint activity, and of property created (acquired) as a result of this activity—by the participants in the joint activity in accordance with the share of ownership prescribed by contract.
- To increase the maximum tax rate on property of enterprises to 2 percent of the taxable base.
14. To establish that the following are included in turn-over subject to value-added tax: funds received from other enterprises and organizations (except for funds credited to the charter funds of enterprises by their founders in accordance with procedure established by Russian Federation legislation, funds for special-purpose budget financing, and funds for carrying out joint activity), income received from assignation of financial resources for temporary use in the absence of a license to effect banking transactions, funds from the collection of fines and penalties, funds from forfeiture payments, and funds received as a result of violation of obligations stipulated by contract for commodity deliveries (performance of work, provision of services).
- For construction, construction/installation, and repair organizations, to consider the value of construction production sold (work, services) as turn-over subject to tax.
15. To exempt from value-added tax:
- commodities imported into the territory of the Russian Federation as contributions to the charter capital of enterprises with foreign investments over the course of one year from the moment of their registration;
 - technological equipment, spare parts for this equipment, and materials imported into the Russian Federation to support the production of medical immunobiological preparations for the diagnostics, prevention, and treatment of contagious illnesses, intended to fight epidemics;
 - goods and technological equipment brought into the Russian Federation within the framework of uncompensated technical assistance provided by foreign states in accordance with intergovernmental agreements, as well as in accordance with contracts with foreign organizations and firms for the conduct of joint scientific work;
 - exported products, both self-produced and acquired, exported work and services, and transit services for foreign freight transported across territory of the Russian Federation;
 - books and periodicals, instructional manuals for educational institutions brought into the territory of the Russian Federation;
 - self-produced commodities (work, services) of kolkhozes, sovkhozes, and other agricultural enterprises, sold to pensioners by virtue of old age or disability who work at the given enterprises, and pensioners by virtue of old age or disability from among former workers at these enterprises—according to prescribed norms;

—self-produced commodities (work, services) sold by treatment and production (labor) workshops at tuberculosis and neurology centers, and at institutions for social protection and social rehabilitation of the populace;

—products (work, services) of proprietary production (with the exception of broker and other intermediary services) sold by enterprises, institutions, and organizations (except for those engaged in supply and sales, trade, or purchasing activity) in which invalids comprise not less than 50 percent of the total number of employees;

—collection (payment) for the issue of licenses for the performance of certain types of activity, and registration fee (payment) for the issue of documents certifying the right of citizens' ownership of land.

16. To establish that the amount of value-added tax paid in the acquisition of fixed capital and intangible assets is subtracted from the amount of tax subject to payment to the budget, in equal shares over the course of six months, beginning as of the moment the fixed capital is put into operation or the intangible assets are registered, with the exception of fixed capital brought into the Russian Federation for which the amounts of paid tax are fully refunded when they are placed in operation.

For peasant (owner-operated) farms, kolkhozes, sovkhozes, other agricultural enterprises, and all small enterprises, amounts of value-added tax paid when acquiring fixed capital and intangible assets are subtracted in the full amount when the fixed capital is placed in operation and intangible assets are registered.

17. To exempt from the payment of value-added tax physical persons engaged in entrepreneurial activity without formation of a juridical person.
18. To retain in 1994 the procedure for exempting funds received from the sale of military property of military units, enterprises, organizations, and institutions of the Russian Federation Ministry of Defense and their rendering of services from the payment of value-added tax and tax on profits—under the condition that these funds are directed towards improving socioeconomic and housing conditions of servicemen, persons discharged from military service, and their family members.

That the Russian Federation Ministry of Defense shall present within one month for confirmation by the Council of Ministers-Government of the Russian Federation a listing of such property and services rendered.

19. To introduce in accordance with established procedure excise taxes for ethyl alcohol rectified from all types of raw materials (except for the production of

vodka, liquor-vodka products, wine, and other alcoholic beverages subject to excise taxes), tires and inner tubes for automobiles, including sets (except those sent for assembly), hunting rifles, yachts and launches (except special-purpose), light vehicle trailers, and alcohol-fortified juices.

20. To establish that the following are payers of excise tax on goods and output subject to excise tax produced in the Russian Federation, including products made of customer-supplied raw materials: the producing enterprises and organizations—juridical persons in accordance with Russian Federation legislation, subsidiaries, departments, and other detached subdivisions of the enterprises, and organizations formed in accordance with the legislation of foreign states which carry out entrepreneurial activity in the Russian Federation.

21. To specify the following as taxable with respect to excise tax on goods and output produced in the Russian Federation:

—for enterprises producing output subject to excise tax which they use to produce output not subject to excise tax—the value of used output subject to excise tax, determined proceeding from the actual producer cost and the amount of excise tax at prescribed rates;

—for enterprises producing goods and output subject to excise tax out of customer-supplied raw materials—the value of these goods and output, determined proceeding from the maximum selling price received for such goods and output at the given enterprise as of the moment of transfer of the finished production, and in the absence of these—proceeding from the market prices that exist for the same or similar goods and output in the given region for the accounting period.

In the event goods subject to excise tax are used as customer-supplied raw materials, goods for which excise tax has already been paid in the Russian Federation, the amount of excise tax subject to payment with respect to the finished goods and output subject to excise tax is reduced by the amount of excise tax already paid.

22. To establish that for in-kind labor compensation in self-produced goods subject to excise tax, exchange involving goods subject to excise tax, transfer of such goods without compensation, or the sale of such goods at prices lower than market prices, the taxable turnover is determined proceeding from the market prices existing in the given region for the same or similar output as of the moment of completion of the transaction.
23. To exempt scientific institutions and organizations from payment for land used by them for scientific and scientific experimentation purposes.

24. To increase the amount of fines exacted from the taxpayer in the event of delay of tax payment to 0.7 percent for each day of delay. To exact fines in the same amount from a bank or other credit institution in that portion relating to the unpaid tax amount in the event of failure to execute (delay in executing) the payment orders of a taxpayer, or the payment orders of a tax organ drawn on the settlement account of a taxpayer.

25. To introduce the following federal taxes:

- a) a special tax from enterprises, institutions, and organizations for financial support to the most important sectors of the national economy of the Russian Federation and for ensuring the reliable operation of enterprises of these sectors.

Determination of the taxpayers of the special tax, of taxable entities, taxable turnover, payment terms and procedure, procedure for the application of tax benefits, and responsibility of the taxpayer for the correctness and timeliness of payment of the special tax is made in accordance with the Russian Federation Law "On Value-Added Tax." The rate applicable to the special tax is established in the amount of 3 percent of the taxable base, determined in accordance with the above-mentioned law.

To establish that two-thirds of the amount of receipts from the special tax are to be credited to the Federal Budget Fund for Financial Support to the Most Important Sectors of the National Economy of the Russian Federation, and one third—to analogous funds of Russian Federation entities.

That the Council of Ministers-Government of the Russian Federation shall establish the specific expenditure objectives for funds of the Federal Budget Fund for Financial Support to the Most Important Sectors of the National Economy of the Russian Federation for 1994;

- b) a transportation tax from enterprises, institutions, and organizations (except budget-financed) in the amount of 1 percent of their wage fund, with inclusion of the amounts paid in the cost of production (work, services).

To establish that funds from collection of the transportation tax are directed to the budgets of republics within the Russian Federation, krais, oblasts, cities of federal status, the autonomous oblast, and autonomous okrugs for financial support and the development of motor vehicle passenger transportation, city electric transport, and suburban railroad passenger transportation.

26. To authorize enterprises and organizations, regardless of form of ownership, to effect withholdings in the amount of up to 1.5 percent of the producer cost

of output (work, services) sold, for the establishment of sector and inter-sector nonbudget funds for scientific research and experimental design work in ministries, departments, corporations, concerns, and associations, and to include these outlays in the producer cost of production output (work, services).

That the Council of Ministers-Government of the Russian Federation shall approve within one month procedure for the formation and use of these funds.

27. That the Council of Ministers-Government of the Russian Federation shall present proposals for examination by the Federal Assembly of the Russian Federation with respect to affording the organs of state power of republics within the Russian Federation, krais, oblasts, cities of federal status, the autonomous oblast, and autonomous okrugs, the right to introduce taxes and fees in addition to those envisaged by Article 20 of the Russian Federation Law "On Principles of the Tax System in the Russian Federation," and to organs of local self-government—the right to introduce local taxes and fees in the territory under their jurisdiction in addition to those envisaged by Article 21 of the above-mentioned law, bearing in mind that the outlays of enterprises and organizations for payment of the above-mentioned taxes and fees are effected out of their profits remaining after payment of the tax on profits.

28. To extend the right to the organs of state power of Russian Federation entities to independently determine the amount of fees collected for the registration of newly established enterprises.

To establish that the amount of payment for the registration of established banks, bank branches, and credit institutions is determined by the Russian Federation Central Bank.

29. To establish that measures may be applied with respect to taxpayers for incontestable collection of amounts in arrears for payment to the budget by the method of levying execution upon the amounts in arrears from their debtors.

30. To establish that deferral and installment plans for payments to the budget are afforded in accordance with Russian Federation legislation by financial organs within the framework of the current year and for a term not to exceed six months. In this regard, deferral and installment plans for tax payments to the republic budget of the Russian Federation may be afforded only if there is confirmation of tax payment benefits previously afforded with respect to tax payments to lower-level budgets.

To authorize organs of the State Tax Service of the Russian Federation to afford deferral and installment plans for the payment of fines for violation of tax legislation of the Russian Federation in those instances where direct application of the sanctions

imposed could lead to the termination of further production activity by the taxpayer.

31. To establish that the Russian Federation Laws "On Value-Added Tax," "On Excise Taxes," "On Tax on Property of Enterprises," "On Tax on Profits of Enterprises and Organizations," and "On Principles of the Tax System in the Russian Federation" are not applicable in those portions that contradict this Edict.
32. That the State Tax Service of the Russian Federation and State Customs Committee of the Russian Federation shall develop, upon coordination with the Russian Federation Ministry of Finance, procedures for the application of this Edict.
33. To establish that in the event tax benefits afforded in accordance with this Edict create less advantageous conditions for entities carrying out entrepreneurial activity than the conditions previously established by legislative and other normative acts adopted, the individual benefits that were previously afforded them are applicable.
34. To submit this Edict for examination by the Federal Assembly of the Russian Federation.
35. This Edict enters into force with respect to that portion dealing with amended taxation procedure effective 1 January 1994, with respect to the remainder—effective the date of signing.

[Signed] President of the Russian Federation B. Yeltsin
22 December 1993
No. 2270

Agrarian Deputy on Agricultural Policies

944K0839A Moscow LITERATURNAYA GAZETA
in Russian No 9, 2 Mar 94 p 10

[Article by Andrey Popov, economist, Deputy of the State Duma from the Agrarian Party of Russia: "An Alliance of Bankers and Peasants Will Save Russia's Fields"]

[Text] An agrarian deputy rang up the editorial office. And he very politely inquired whether LITERATURNAYA GAZETA could make its pages available for constructive criticism of the point of view repeatedly expressed in the newspaper regarding the kolkhoz-sovkhoz system as a burden and an impediment to our movement toward a bright capitalist future. Inasmuch as the deputy turned out to be a professional economist, who took part, by the way, in developing banking legislation, the telephone conversation quickly turned into a friendly discussion, which, however surprising (for the subject of criticism were the appearances in LITERATURNAYA GAZETA of B. Fedorov's and my own articles), ended with an ascertainment of the coincidence of our views on quite a few points. On the following day, the deputy brought an article to the editorial office, which we are offering for your attention.

We are also prepared to give the floor to those who have different views, but on one condition: Do not restrict yourself to indiscriminate criticism, but propose constructive ideas, and seek a way out of our current economic impasse.

[Signed] Vladimir Prokhvatilov, LITERATURNAYA GAZETA columnist

Agriculture in Russia is in a disastrous state. The slump in production is not ending for the second year, and the motor vehicle and tractor inventory is falling apart. But what is most regrettable is the fact that the agro-industrial complex simply is not entered into the logic of the liberal reforms that were conducted until recently. B. Fedorov, the former minister of finance, saw the Russian APK [agro-industrial complex] as a number-one inflationary danger, and he proposed purchasing foodstuffs abroad at cheaper prices. Boris Fedorov and Yegor Gaydar have resigned, but the attitude of the government toward agrarians has practically not changed. At a recent meeting of representatives of the agrarian faction of the State Duma with V. Chernomyrdin, our prime minister almost kissed a cross as a sign of his love for Russian kolkhoz workers, but he gave money for the spring sowing grudgingly.

But is a lot of money needed, and what for? Let us estimate. In Russia, 120,000 hectares of kolkhoz land are under grain. Approximately 60,000-70,000 hectares are sown annually, and about 100 million tonnes of grain are gathered from them. If the government needs this amount of grain, then it is necessary to allocate 8 trillion rubles [R] for the spring sowing. This will go for the payment of fuel, mineral fertilizers, and repair of equipment. If there is less money, there will also be less of a harvest.

It seems that the government decided to allocate R5 trillion for the needs of the APK in the form of credit at 213 percent annual interest and to pay off debts for products that were turned over last year. This is another R1.4 trillion. It is not difficult to calculate that this is not enough money to maintain the harvest at last year's level. The agrarians understand very well that an appeal to the budget is futile. There is no money in the treasury, but if you resort to monetary emission in order to cover inadequate resources with its help, then we will have a very severe inflationary outbreak that will destroy our economy. But if money is not given, the consequences could even be worse. There would be such a severe harvest shortage that it would simply be impossible to compensate for it with any kinds of purchases abroad. In addition, the inflationary expectations of the population on the threshold of an approaching famine would instantly draw long lines and would clean shelves of all foodstuffs. This would cause a sharp jump in prices....

So this is what the unhappy alternative is. And I fully admit that many Russians will not be pleased by this choice between the Scylla and Charybdis, and that they would prefer to send all Russian kolkhoz workers to the

moon and to buy wheat in America and Canada. Well, first, this would denote a full loss of national sovereignty. And, second, a year earlier the government of reformers tried to send the Russian VPK [military-industrial complex] "to the moon" by simply not continuing to finance it. As a result, the social resistance was of such a force that the government went back on its word and fully restored the state order for the defense industry. There is nothing good in such shying away.

And, third, the financial inadequacy of the Russian kolkhozes is not their fault at all. From the time of the notorious war of the city and the village in the 1920's, which ended with the robbery of the village, Russian peasants have been unable to stand on their feet firmly. It is as if peasant and subsequently kolkhoz property were inferior, an embryo of private property relations, as if it were considered a socialist virtue to take everything from the village, without returning anything. In a paradoxical way, the liberalization of prices in 1992 robbed the village in precisely the same way once more. The disparity of prices between rural and industrial commodities grew even more. By comparison with 1992, all prices "took off" by a thousand times and more, but rural products increased in price by a factor of only 100-120. While earlier one tonne of grain was equal in cost to 1.5 tonnes of fuel, then now this ratio is already 1:0.65. The same thing happened not only with grain, but also with other agricultural products.

And those who are dissatisfied with the increasing prices for bread and milk should know that the peasant receives only one-third of this price. For comparison: In the price of beer, 80 percent is "added" by the producer.

Well, and where is the poor peasant to turn, you ask. Is there a constructive solution to the present impasse? Of course there is. It is off-budget financing. While there is no money in the treasury, there is money in the commercial banks. Economists of the Agrarian Party of Russia conducted consultations with a number of commercial banks and established that they are prepared to finance the spring sowing from their own resources, given the presence of certain guarantees. According to our calculations, by involving commercial banks, it is possible to collect the money that is lacking and to save the 1994 harvest. This, of course, will not reduce the budget deficit, but it will "stretch it out" in time, and remove the seasonal outbreaks of inflation.

And incidentally, the necessary guarantees can be given. At least, V. Gerashchenko, the chairman of the Central Bank, appearing in the State Duma, supported such an idea.

The off-budget financing of the agrarian sector by commercial banks, in our opinion, can be implemented in two ways. First, Russian banks give the necessary special credits to the Ministry of Agriculture under a small, for example, 3-percent margin, after receiving in exchange the guarantee (promissory note) of the Ministry of Finance. This is the way the lacking resources are

"acquired," and moreover, rather quickly. But it is necessary to hurry—it is already time for Krasnodar Kray to start sowing, but there is no money.

Second, it is necessary to develop direct horizontal ties; that is, banks and kolkhozes should communicate between themselves directly. This kind of drawing together, which is still rather timid, has started. For the time being, our bankers are more interested in the sphere of livestock raising, especially in poultry farming, where there is an uninterrupted production cycle. Bank credits can be granted to kolkhozes under a promissory note of a regional administration, or 10-30 percent of the shares of stock of a joint-stock company (which 70 percent of our kolkhozes have already become) as security.

The first method of financing will give a quick effect, and the second is calculated for the future. This, perhaps, is the only method today to save Russia's perishing agriculture and to conclude a peace that is favorable to everyone in the exhausting and senseless war between the city and the village. And the government of V. Chernomyrdin, which up until now has not declared itself in any way, can stimulate this constructive process by convening a "roundtable" of bankers and agrarians, while playing the role of organizer of the negotiations and a guarantor of agreements.

System for Certification of Goods, Services Explained

944Q0199B Moscow DELOVOY MIR in Russian
15 Feb 94 p 5

[Article by Candidate of Technical Sciences Boris Minin, director of the Methodological Center of Systems of Quality Certification of Goods and Services, under the rubric "Quality Control": "Certification With No Tricks"]

[Text] The International Academy of Information Services has established the Methodological Center of Systems of Quality Certification of Goods and Services—the MTs SSK.

Proceeding From the Standard

Certification is "the action of a third party which makes it possible to establish the conformity of qualitative characteristics, the quality of a given product or service, to requirements established by a particular document." In civilized countries networks of certification centers specializing in various types of goods and services are quite common. They provide clear-cut landmarks for the consumer in a crowded market for products. For an honest manufacturer this is the best opportunity for fair competition. Therefore, certification is a mechanism for regulating market relations in a competitive environment. On the contrary, in the absence of such mechanisms, the unbridled and completely uncontrollable, semibarbaric market cannot shape a civilized society in

which the dignity of citizens is among the principal values. At present, we are at the very beginning of the path to this society.

Here is the essence of the procedure being introduced, for those who have not managed to familiarize themselves with the Law "On the Certification of Products and Services" (approved by Decree of the Supreme Soviet No. 5153-1 of 10 June 1993), the work that preceded it in the Russian Federation Committee on Standardization, Metrology, and Certification, the All-Russian Scientific Research Institute of Standardization, and other institutes and establishments.

The legislation envisions certification of two types: compulsory and voluntary. Compulsory certification takes into account indicators concerning citizens' health, citizens' property, and environmental protection. It goes without saying that this type of certification is more than just necessary for many goods and services! A state organ, the Russian Federation Committee on Standardization, Metrology, and Certification, has undertaken to manage the implementation of certification.

Any quality parameter may undergo so-called voluntary certification. This procedure is effected on the initiative of either the manufacturer or the consumer. Therefore, the voluntary nature applies rather to the selection of parameters, the form of certification, and so on. It may be foisted on many producers contrary to their wishes.

In the simplest case, any producer (for example, a regular barber shop) may, having taken the state standard, sectoral standard, technical specifications, or even a list of requirements from, say, the United States or Mongolia as a basis, ask to be issued a certificate of compliance by the quality of his services with requirements outlined in the above regulatory documents. Undoubtedly, the multiplicity of such evaluations will hardly accomplish anything for the consumer, and it will play into the hands of those who will simply be able to hustle quickly, allocating some hundreds of thousands of easy-come rubles for certification. After all, millions are now being wasted on absolutely uninformative advertisement. Any producer may, at minimum cost, receive a "certificate of compliance" with anything. The beautiful piece of paper will hang in every business. Therefore, the consumer will once again end up sadly ignorant of the genuine quality of the goods and services offered to him.

However, there is another possibility: establish a uniform base for comparisons for all, and issue certificates that indicate the level of quality—the degree to which the quality of the tested sample, merchandise, or service exceeds that of the selected base. Therefore, a "Quality Certificate" is the highest degree of certificate of compliance endowed with greater rights.

It was precisely this path, the path of creating the optimal system of quality certification, that we took in developing the system of quality certification.

Quality-Related Services

Work devoted to evaluating the quality of services, i.e. an area that has until now been a "terra incognita" in a way, has now been completed. Following prolonged debate, a generalized nomenclature of quality parameters of services has been finally specified and adopted, which has provided the foundation for selecting a basis for comparison in the system of quality certification of services developed by us.

Unlike the nomenclature of quality parameters of goods, services have four strictly delineated groups: the quality of the service proper, the standard of service, consumer spending for access, and, as a rule, the indirect effect (or loss) entailed by the principal effect.

With a view to establishing regional centers (in oblasts, cities, republics...), a number of certification organs for popular services—insurance, apartment exchanges, tourism, repairs of radio and television equipment, and others—have to be registered with the Methodological Center of the Systems of Quality Certification of Goods and Services. Many such centers are already working with specific enterprises, and the latter will soon be able to receive the first quality certificates in our country. Detailed information about this will be provided in the mass media. Naturally, consumers will draw the appropriate conclusions from this.

Contact telephone number 241-39-03.

Falling Ostankino Ratings Viewed

944F0397A Moscow MOSKOVSKIYE NOVOSTI
in Russian No 8, 20-27 Feb 94 p B 12

[Survey of Vsevolod Vilchek's Sociological Service on Television Viewing; interview with director of the Service by Yuriy Bogomolov, MOSKOVSKIYE NOVOSTI correspondent]

[Text] Vsevolod Vilchek's Sociological Service made a count of the overall ratings of the channels and broadcasts for two weeks of this year and for the same period last year, in order to ascertain which viewing audience had been lost, and where. A separate study was devoted to the "time budgeting" of television viewers.

What Are They Watching?

It was revealed that Ostankino had lost somewhat during the year, and the second channel had gained somewhat, but at the same time, the latter lagged behind the former in the order. Incidentally, this is only the most general idea of the ebbs and flows of television viewers on the channels. If it is individualized, we will see the following.

At Ostankino, apart from its information programs, almost all the programs suffered noticeable losses. Only half as many viewers are watching "Utro" [Morning] this year as did last year. The ratings for "Zvezdnyy Chas" [Starlight Hour] in 1993 constituted 24 percent, and this year dropped to 15 percent.

"Muzoboz" went from 10 percent to 6 percent.

"Lotto-million"—from 17 percent to 8.5 percent.

"S Utra Poranshe"—from 19.5 percent to 10 percent.

"Marafon-15"—from 12.5 percent to 4.5 percent.

Against this background of the drop in the ratings of almost all the daily broadcasts, the constancy with which TV viewers devote their attention to the broadcast "Poka Vse Doma" [While Everyone Is Home] is worth a great deal. It consistently holds at the 19-percent mark.

Most symptomatic for Ostankino, however, is the fact that showings of feature films have begun to lose their audience, even though, in the quantitative respect, the showing of films and serials this year noticeably intensified. This is a sign of the fact that a certain oversaturation of the air waves with cinematographic spectacles has taken place. In addition, one must not discount the very keen competition from NTV, whose film repertoire is of higher quality and variety than the film programs of other channels.

To all appearances, Ostankino is at a point in its development which cannot be called anything but a crisis. Moreover, it is not a question of the problem which two weeks ago turned into blackmail of the telecommunications engineers, nor of the crisis of financial non-payments, but of the crisis of the creative debt of the most prestigious television company today.

What Is To Be Cut?

"At the same time, we looked for the 'holes' in the daily broadcasting, when the television audience is minimal," the director of the service explained to Yuriy Bogomolov, MOSKOVSKIYE NOVOSTI correspondent.

[Bogomolov] What do you consider as "holes?"

[Director] Ratings in the area of zero to five percent. In this case it is not a question of the level of interest in certain specific broadcasts, but of the gradation of the potential viewer. It looks like this. From 6 to 7 in the morning, the audience is at zero and a little above. From 7 to 8, the audience potential grows to 10 percent. Then comes a sharp drop. Beginning at 9, pensioners tune in, which gives 13 percent. From 11 to 2 in the afternoon it is a desert—about 7 percent. From 2 to 3 in the afternoon, there are a few more viewers—about 9 percent. The audience begins to grow noticeably from 4 p.m. By 6, the potential audience reaches the 35-percent mark. NTV, which begins its broadcasting, not with current affairs commentators, but with entertaining programs, makes good use of this surge of viewers. It catches the wave of viewer interest and holds it for the whole evening. At 8-9 in the evening, the audience is already a whole 80 percent. This level is maintained to 10, and then begins a steady descent. By 11, we have 54 percent. Just before midnight the audience falls to 36 percent. From midnight to one in the morning—17 percent. After one in the morning—12 percent.

[Bogomolov] What conclusions can be drawn from this?

[Director] Daily broadcasting can be cut from 20 hours to 15 without any particular damage to the mass audience. It is clear which time slots will have to go.

[Bogomolov] Apart from the mass audience, however, television has relatively narrow categories of viewers whose interests the state cannot disregard.

[Director] It is not ruled out that private television companies, who can get a broadcasting license on a competitive basis, to broadcast in the airwave space freed, will take over the concern for individual, relatively narrow strata of the television viewers.

Journalists Worried by Edict on Secrets

944F0397B Moscow ROSSIYSKIYE VESTI in Russian
3 Mar 94 p 4

[Article by Tatyana Akkuratova: "Glavlit Is Dead. Long Live Glavlit?"]

[Text] A directive of the President of the Russian Federation has endowed the directors of 38 ministries and departments with the right to decide what is considered a state secret.

Only recently, the reserves of Samotlor oil and the building of a road beyond the Urals, the absolute figures for oil extraction, not just as a whole for the country, but even by individual oil fields, information on epidemics and permissible doses of radioactive, laser and super-high-frequency irradiation... were considered state secrets. What newspaperman does not remember the all-powerful Ivan Ivanovich Simdyankin from Agitprop, who alone decided whether the country should be told that a paper machine, let us say, in Kondopoga or Solikamsk had reached its planned capacity?

Day after day, journalists had to wage an exhausting struggle with Glavlit [Main Administration To Preserve State Secrets in the Press, of the USSR Council of Ministers], trying to persuade and entreat the censors, trying to prove to them the nonsense of banning the publication of an apparently inoffensive fact. In response, however, they were shown a list of pieces of information which could in no way be reported. Things reached the point of absurdity. For example, you must not write about laying a highway to the electric power plant under construction in Siberia (beyond the Urals, yet!), but just designate the route of the access road and you can easily indicate where it comes from and where it goes—the censor gave an "O.K." to the publication.

To give Glavlit credit—it was not the one that thought up the list of bans, it merely took pains to adhere to it. The list of state secrets was worked out in the depths of the ministries and departments, and approved by the USSR Council of Ministers. Now there is no USSR Council of Ministers, Glavlit has ended up unwanted, and the newspapers were swamped with facts that had

been kept top secret. But somehow no one heard about pernicious journalists divulging any sort of state secrets, doing damage to the country, during the years of this freedom. (Mirzoyanov's convolutions, I am sure, were only of benefit to the country—well, after all, journalists had nothing at all to do with it!)

Just what is a state secret? The federal Law "On the State Secret" said that it is "...information protected by the state in the sphere of its military, foreign policy, economic, intelligence, counter-intelligence and operations-investigation activity, the dissemination of which might be detrimental to the safety of the Russian Federation." Judging by the President's directive, however, this concept is now given a broader interpretation: the safety of the state is identified with the safety of individual departments. Most of the ministers have been endowed with the right to qualify information as a state secret. The heads of the ministries of Justice, Labor, Social Security, Education and Culture and of the committees for Cooperation with CIS States and for Nationality and Regional Policy Affairs constituted an exception. It is completely understandable when the ministries of Defense, Internal Affairs, Economy, Federal Foreign Intelligence and Counter-Intelligence services and the MID [Ministry of Foreign Affairs] possess the right to make information secret. But what sort of state secrets do the Ministry of Health and the Ministry of Agriculture, the State Committee for Higher Education and the Ministry of Environmental Protection and Natural Resources guard? Or will they again conceal from us data on harvests, catastrophes and natural disasters, ecology and demography? We will draw them from broadcasts of the BBC or Radio Freedom. In a word, it is a question of whether society can obtain reliable, objective information—the right to the freedom to seek, obtain and transmit this information was declared by our Constitution.

It must be said that even before the president's directive it was quite difficult to obtain information at the ministries—the press-services, created, one would think, to help the writing brethren, protected them reliably. These services, however, turned into an impenetrable wall, shutting the officials away from the journalists. The ministerial bureaucrats have now obtained a super-reliable means: consider some sort of data a state secret—and they are tightly closed to the press. Again the officials will decide what we can know and what we cannot know. Does the departmental right to make information secret not contradict the presidential Edict, which speaks of indispensable informational openness concerning the actions of the authorities? It would seem that the list of state secrets should still pass a qualifying examination by expert scientists, lawyers and journalists.

One more thing. Who will see to it that journalists still do not publish facts with the stamp of "top secret"? Will Glavlit rise again?

Head of Social Security Ministry on Growing Homelessness

944E0534A Moscow *RABOCHAYA TRIBUNA*
in Russian 23 Feb 94 p 4

[Interview with Yelena Yulikova, head of the administration of social service nonmobile institutions under the Russian Federation Ministry for Social Protection of the Population, by Yelena Vasilkova, under the "Continuing the Subject" rubric: "The Homeless Are People Too"]

[Text] Moscow—We recently published an article about the homeless that was sent by our correspondent from Perm and titled "Extraterrestrials." But this problem exists in more than just one city. Recently, "persons without definite employment and residence" can be seen practically at every railroad station of any city.

Why have they become so numerous? Is anyone involved with the destinies of these people, or has our society turned its back on them?

"Yes, this has become a real catastrophe for Russia," says Yelena Yulikova, head of the administration of social service nonmobile institutions under the Russian Federation Ministry for Social Protection of the Population. "People are moved or forced to become homeless for the most various reasons. Due to the production drop, some people have lost their jobs and, together with them, they have lost their beds in the dorms. Others have come here because of interethnic conflicts. Still others get 'thrown out' into the streets by their relatives...."

[Vasilkova] Are all these people now doomed to wander from place to place and beg? Our people cannot find employment if they do not have permanent residence registration, can they?

[Yulikova] Yes, they can find it. True, it is hard and nonprestigious jobs, if they are healthy and, what is most important, willing to get out of this situation. But imagine, many of the homeless do not want any changes in their lives.

Not so long ago, we conducted a small sociological study at several Moscow railroad terminals, and we offered the following to the homeless: We would put the old people in boarding houses and find jobs for those who can work. Here is the result: Out of the 180 people we talked to, nobody wanted to have anything to do with the federal organs. Some of them even expressed their indignation: This, they said, is a violation of personal freedoms and an infringement on human rights, which cannot be allowed in our present democratic society.

Here is another example: A man was showing off his artificial limbs in the underground passage right next to our Ministry. Passersby were dropping money into his hat, and I came up to him, introduced myself, and invited him to come to our Ministry for help. Do you think he was happy? Quite the contrary! It turned out that he had a family, an apartment, and a pension. He

was simply "moonlighting" in the passage there. There are so many such people now!

[Vasilkova] But there are other people also, feeble old men and women who, through some tricks or sometimes threats, have been forced to sell their apartments, and now they have to wander around without a place to live.

[Yulikova] But why does this happen? Nothing of the kind could have happened before, for the simple reason that there was a rule: If someone went to sign out, prior to his departure from a residence, he had to produce a document stating where he was going. We do not have such a rule any more. You can sell your apartment, sign out, and go wherever you wish. Is this normal? Scoundrels jumped at this opportunity right away—they found a loophole for fooling old people and taking away their legitimate residences.

[Vasilkova] What can the victims do in such cases? They are lucky if they have relatives who can give them shelter. But most often this happens to lonely people.

[Yulikova] We try to help such people if they come to us.

[Vasilkova] But many of them do not know about you, they do not know how to find you. As far as I know, in the old days the militia used to detain vagrants, but now, for some reason, the militiamen just pass them by with indifference.

[Yulikova] The problem is that, rather recently, we repealed Article 209 of the Criminal Code, which specified types of punishment for vagrancy. Apart from detaining transients, the militia used to send them to special reception and distribution centers, where their identities were established, necessary medical assistance given, and their future fate decided. It often happened that wanted criminals were hiding among the "tramps."

[Vasilkova] Yelena Pavlovna, for some reason you are using the past tense when you talk about all this. Have special reception and distribution centers been closed, due to our fight for human rights?

[Yulikova] Not yet. They are still run by the Ministry of Internal Affairs [MVD], but there are plans to replace them with rehabilitation centers. Now we are the only agency that has been entrusted with the problem of the homeless.

[Vasilkova] In other words, it is your service and not the militia that is going to round up the homeless at railroad terminals and on the streets and place them in those centers?

[Yulikova] We are not going to force anyone to go anywhere. Ours is a social institution which, I want to repeat, adheres to the principle of free will.

[Vasilkova] What kind of extremes we have in our country: We used to exile people to the 101st kilometer for not working; now you can idle all you want and nobody cares! But you yourself said that vagrancy has

become a profession for some people; it is doubtful that any of them will come to you to "surrender" of their own free will. Which means that it is you and I now who are destined to look at hordes of ragged and dirty people filling our railroad stations and underground crossings. But what about the recent edict of our president "On Measures for the Prevention of Vagrancy and Begging"? What are those measures?

[Yulikova] The complexity of this document lies in the fact that it does not define the status of either a vagrant or a beggar. Incidentally, the same problem exists in many other countries. Even though some of them have laws restricting even begging to certain places only: You cannot stay at a transportation terminal if you do not have a ticket for a train or a bus. But you are right in saying that our railroad stations have become filthy night shelters. I agree that it is unpleasant and even dangerous to be there, next to dirty people who are often sick or covered with lice. There are quite a few hoodlums and thieves among the homeless, too. This is the reason that I think that it was a rash step to shift from the militia to us such an important, urgent, and crime-conducive problem. We ought to defend those who need it, but not the people who we need to be protected against.

[Vasilkova] Would it be better for you to deal with the problem in cooperation with the militia?

[Yulikova] We successfully cooperated with them before, also. The most reasonable decision would be for us to continue cooperation and reorganize the reception and distribution centers instead of closing them down. But to destroy all this with a single blow all of a sudden and to make us start it from the very beginning?

[Vasilkova] So what did you start with?

[Yulikova] So far, we have been operating by trial and error. Certain things we borrowed from our foreign colleagues, others we invented ourselves. We settled on three types of social assistance: the overnight shelter, the social hostel, and the adaptation center. We have made the designs for them and sent them to various regions.

Any person, even one with no documents, can go to an overnight shelter. There he is given, free of charge, a bed and bedding, and medical assistance. We are planning to have counseling services in those places in future.

A social hostel will provide shelter for a term from one day to a month. During this time, every person will be given a free meal ticket daily. An adaptation or rehabilitation center will accommodate people for six months; they will work there and receive treatment. They will have addiction treatment and legal services, and medical and labor centers. One such center has already been opened in Makhachkala. An overnight shelter and a social hostel have opened in Lipetsk.

[Vasilkova] And in Moscow? As far as I know, there is just one flophouse, an overnight shelter, excuse me, for the entire huge city. Do you think it sufficient?

[Yulikova] Who can think this! But if you only knew what it cost us to open even this one! It is not even a house: We just secured part of a boarding home for the elderly who had to settle for less space for this. The Moscow government could not find any accommodation for this charitable institution. They manage to find buildings for all kinds of firms and joint ventures, but here—alas!

[Vasilkova] Here are your market relations, Yelena Pavlovna! Firms pay big money.

[Yulikova] We, our society, will have to pay a lot more if we do not resolve the homeless problem in time. Believe me, this problem is very far from being a simple one, and we should not hush it up, unload it on someone else, or let it run its own course. We need to take urgent measures including some legislative ones. If we want to live in peace.

Regional Unit Battles Moscow Mafia

944F0414A Moscow TRUD in Russian 1 Mar 94 p 7

[Interview with Colonel of Militia Vladimir Rushaylo, head of the Regional Directorate for Fighting Organized Crime, by Aleksandr Danilkin; place and date not given: "We Are a Bone in the Mafia's Throat"]

[Text] It was thought until recently that there was no organized crime in our country. Judging by court statistics, there was also no gangsterism. But when special subunits in the fight against organized crime were finally established, "an unexpected discovery" followed: being without them is like being without hands. And the most drastic type of modern crimes is their stock in trade: rackets, hostages, and gangster showdowns. War every day. Novices have assumed leading roles.

The Moscow Regional Directorate for Fighting Organized Crime (RUOP) was established two years ago, and from its very first days it has been headed by Colonel of Militia Vladimir Rushaylo.

[Danilkin] Vladimir Borisovich, recently employees of your directorate had a housewarming, when you had to exchange the legendary address of 38 Petrovka for 6 Shabolovka...

[Rushaylo] Yes, we moved to a separate house, but it is not necessary to search for any secret reasons or undercurrents, or for distrust toward the rest of the militia service. It simply became too crowded for us at 38 Petrovka, inasmuch as the number of our employees had increased, and rather significantly. We were forced to take this step. Incidentally, thanks to the concern of the Government of Moscow and the mayor.

[Danilkin] If it is not a secret, by how much did the Regional Directorate for Fighting Organized Crime employee staff increase?

[Rushaylo] During the last year—fourfold. Judging from the situation, this is not the maximum. Many call our

subunit elite. I do not regard this as superiority over other services, but as the level of demands that are made on us.

[Danilkin] So, two years have gone by. In your opinion, has the new subunit justified the hopes that were associated with its creation?

[Rushaylo] It would be improper to give an evaluation of one's own work, but I think that it is possible to claim that we have succeeded in occupying a noticeable niche in the law enforcement area. Organized crime is a phenomenon that is purely social, intruding into all spheres and trying to get ahead of the law enforcement system, mastering increasingly newer types of crimes. Owing to this, certain dead zones are being organized, which our militia branch services were not succeeding in looking into, as narrow departmental barriers interfered. But we use simultaneously the principle of criminal search (from the criminal offense to the person) and the principle of the subunit in the fight against economic crime (from the person to the crime), with the latter dominating. We are able to take in those dead zones, which have begun to turn into volcanoes.

For example, a crime has been happening here recently which we previously only heard about, or knew very little about. For example, extortion: As recently as 1986 there were four cases in all of Moscow. But in the past year alone we have registered 333 cases, and, consider this, this type of crime is one of those that are especially latent. Or kidnapping people to obtain a ransom, as we say, seizing hostages: two cases were registered in 1990, and last year here there were 77 citizens' appeals for a similar reason, and 62 criminal cases were instituted. Finally, in January of this year 30 citizens filed complaints with us regarding seizure of hostages. Our employees worked on each case, freeing the people.

[Danilkin] But how many criminal cases on seizure of hostages were instituted? For example, in January?

[Rushaylo] Unfortunately, only six. Inasmuch as the article of the Criminal Code "Seizure of Hostages"—the jurisdiction of the Procuracy—allows for ambiguity in the classification of the crime, which leads to casuistic legal games. We are trying to conduct a practical dialogue with the Procuracy, but for the present we are able to bring only a third of the cases to a juridical result.

[Danilkin] Organized crime is feeding on the particular weakness in the sphere of the economy...

[Rushaylo] In connection with the fact that the state sector has almost disappeared completely, numerous associations with limited responsibility have appeared, but, as we say, with unlimited opportunities. In this situation criminal groups, especially of an ethnic orientation, have set themselves up quite successfully. They are organizing associations that would seem to be engaged in commercial activity. But they are in fact

laundering criminal money. Frequently, the very trade kiosks that congest the city are used as a cover for criminal activity.

[Danilkin] Are our mafiosi laundering money, taking the experience of their Western colleagues into account?

[Rushaylo] The traditional spheres of organized criminal activity in the West are the gambling business, prostitution, and drugs. In our country, organized crime has chosen other types of trade; for example, extortion is rather widespread. A so-called protection tax is imposed on businessmen. The criminals approach a commercial structure: "Do you have a 'roof'? What are you standing under?"—this is nothing other than extortion, and it brings in colossal incomes. Some prefer not to make a fuss, and make the payoffs. Anyone who appealed to us received professional assistance..

[Danilkin] It is said that almost all entrepreneurs are covered with this same "roof?"

[Rushaylo] It is impossible to give a precise figure. But it is impossible to say that absolutely everyone is paying tribute. More than a dozen people come to us every day with complaints. And many of them say that the extortionists had approached them for the first time. It is advantageous for the criminals to spread rumors that everyone is paying up. Then it is easier for them to tell people: "If everyone else is paying—why are you not paying up?" A psychological working-over goes on.

[Danilkin] Thus, it turns out that you have to work in various directions. But how in your opinion did Moscow organized crime spot your unit? How dangerous an opponent are you?

[Rushaylo] First of all, it is necessary to make a reservation—at the present time there is no single organized crime structure in Moscow. There are a number of organized crime groups: regional, ethnic, interregional, and transnational. Internecine wars rage continuously between them for spheres of influence. So, for these groups the regional directorates for fighting organized crime frequently become a bone in the throat. Our opponents' arsenal includes threats, intimidation, attempts to influence our relatives—we feel all of this personally, since we have occasion to affect someone's criminal interests all the time.

[Danilkin] And how do you react to such threats?

[Rushaylo] In an appropriate way. We guard our people, and we are in a position to protect them. However, credit must also be given to the opposing side; they have begun to approach "raids" on the Regional Directorate for Fighting Organized Crime in a creative way.

[Danilkin] What do you mean?

[Rushaylo] I have in mind an organized campaign to discredit the subunits in the fight against organized crime. A whole series of articles have appeared in the press recently which, trying to "scoop" us, "expose" our

employees and our operations. No, we are not suffering from megalomania and infallibility, we have ordinary people working for us who make mistakes and miscalculations. But from the articles I have in mind, the telltale signs were too strong. We later conducted our own small investigation and we have an idea how much these articles cost somebody.

[Danilkin] Are you not too categorical in your conclusions?

[Rushaylo] Not at all. In all the articles there is one thought on the surface: Regional Directorate for Fighting Organized Crime members fire at whatever comes to mind, they are creating tyranny, and guiltless citizens are suffering.

[Danilkin] But what is really the case?

[Rushaylo] For this it is necessary to return to reported cases. For example, the incident at the Koptevo bathhouses in November of last year. Here is the sense of the information released in the newspapers: Regional Directorate for Fighting Organized Crime employees opened fire for no reason on a suspicious group of men in a residential rayon, as a result of which one of them died under obscure circumstances, and two militia men were wounded. It is totally incomprehensible, on the other hand, it is a pity about the member of the Koptevo group who was a victim. But this is the way the official investigation interprets the events. An operational group was surveilling Zhiguli's, one of whose passengers had a weapon. The militia employees stopped the car at the Koptevo bathhouses and asked for documents. In response to this, a passenger in the Zhiguli snatched a screwdriver and struck an employee in the face. Almost simultaneously shots were fired in the direction of the militia employees from three cars standing nearby, and afterwards a dozen men armed with baseball bats, knives, and guns went after the militiamen. Only then did they employ their official weapons. As you see, there is a substantial difference in the description of the events.

[Danilkin] What other articles are you talking about?

[Rushaylo] The events of 25 January at the Izmailovo hotel complex are described in this same vein: operatives opened a barrage of fire on a Cherokee jeep because, as it seemed to them, people from an Izmailovo group were sitting in the vehicle. The jeep jumped into the oncoming lane and collided with an oncoming vehicle, whose passengers perished in the crash. There was not a word about the fact that before this, the jeep, coming out of a chase, rammed into a militia Zhiguli (one of the employees incurred concussion of the brain), that sitting in the jeep was the authority of an Izmailovo criminal group who was under federal investigation for robbery with use of firearms, that they fired at the wheels...

A militia operation in the private club White Cockroach was described in the same vein.

[Danilkin] Do you want to say that the Regional Directorate for Fighting Organized Crime has declared a psychological war?

[Rushaylo] We have always been in a state of war with crime. It is simply that new, legal forms of struggle against us have emerged. And we must be prepared for this. For discreditation of our employees, unfounded accusations, and fabricated compromising material. These methods are known throughout the world.

[Danilkin] How do you intend to react to such accusations?

[Rushaylo] I can firmly promise our opponents one thing: Any attempt by criminals to employ weapons against our employees will end with one and the same thing—we will shoot to defeat them. This is our tough, principled position. No kinds of rumors or planned accusations of alleged illegal actions will prevent our employees from acting within the scope of the law and the powers granted them. Incidentally, the series of newspaper articles apparently lack one more thing. The other day, during the arrest of a group of criminals, a Regional Directorate for Fighting Organized Crime employee shot one of them. It happened this way: When a bandit pulled out a TT [Tula Tokarev] pistol with a bullet in the cartridge chamber and pointed it at the operative, the militia employee proved to be faster on the draw. Now we are awaiting a new description of our "criminal errors."

[Danilkin] But you will agree that it was just a few years ago that every time the militia used a weapon was almost a sensation and a reason for endless justifications.

[Rushaylo] Yes, it happened. The press wrote for a whole week about a mentally ill person who fired a hunting rifle several times from a balcony, and the entire militia leadership came to the scene of the incident. Today shots can be heard on Moscow streets every day. How can this wave of violence be stopped? Only with harsh measures. But, I emphasize, within the scope of the law. In the last five years crime in Moscow has increased by a factor of three. Our service often frees four to five hostages in a day, we are fired upon, we confiscate mountains of weapons, drugs...

[Danilkin] Do you not get the impression that Regional Directorate for Fighting Organized Crime employees are now working in an "emergency first aid routine"—there are not enough hands despite regular increases in the size of the directorate?

[Rushaylo] There is such a danger. But we are counting on the people's understanding and the support of the leadership of the Ministry of Internal Affairs and the municipal authorities. This will greatly help us in suppressing the criminals' ever-increasing onslaught.

In one day, just before this material was sent to press, employees of the Moscow Regional Directorate for

Fighting Organized Crime arrested a group of hired killers from Saransk (four murders), a crime kingpin, and three authorities in the criminal world; prevented the theft of money in the sum of 2.4 million French francs; solved six crimes; confiscated four firearms; and began work on seven complaints that came in that day.

'Omnipotence' of Corruption in Power Structure Deployed

944E0554A Moscow NEZAVISIMAYA GAZETA
in Russian 26 Feb 94 p 2

[Article by Karen Brutents: "Why Did Yegor Gaydar Suddenly Start Talking About Corruption?: What Kept Him From Fighting It When He Was in the Government?"]

[Text] I am prompted to write about corruption again, not only by the subject itself, the topicality of which, unfortunately, simply continues to grow, but also by the fact that for the first time, at least publicly, Yegor Gaydar has addressed it extensively: "The boundlessness of corruption is profoundly insulting. The main reason for the collapse of democratic power, I am convinced, is related... to the profound disillusionment with the 'democracy of thieves.'"

One can only rejoice that such a well-known and influential person has turned his attention to this problem, which is, as we liked to put it not long ago, so portentous for the country. One cannot help but agree that "corruption is becoming, not a by-product, but a determinant (at least, one of the determinants) of the political process." Incidentally, this was also mentioned on the pages of NEZAVISIMAYA GAZETA, although not in such complicated form. Taken as a whole, however, the arguments of the former first vice-premier impel us to make certain comments.

First of all, it is curious that Ye. Gaydar addresses this subject when he is already outside the government and feeling about for a popular platform for his fight to return to power. When he was at Staraya Ploshchad, he did not do this. I see in this, unnecessary confirmation of the fact that the fight against corruption is not—leaving aside the question of "why"—among the primary concerns of power. I recall that Nikolay Fedorov, the former minister of Justice (now president of Chuvashia), even spoke of a "lack of the will, among the higher Russian leaders, to fight in earnest against corruption." Not counting, of course, the myriad loud-mouthed decrees and edicts, the dissolved committees and commissions, etc. These spasmodic propagandistic imitations provide, rather, a negative effect, strengthening the corrupters' insolent belief in impunity.

The scandalous exposures of corruption in the higher government echelons, which surfaced in the course of the scuffle between the legislative and executive powers, have faded into oblivion. Having fulfilled its function, that of dethroning Rutskoy, the Interdepartmental Commission to Fight Crime and Corruption, created by a

decision at the highest level, and appearing to us on the television screen even under the chairmanship of the president, has quietly passed to its rest. Likewise remaining unclear is the Russian-Swedish-Canadian odyssey of Yakubovskiy, reminiscent of a hurriedly cooked-up mediocre detective story, a sprinter's rise—in the manner of the favorites of the medieval monarchs—a young reserve officer coming close to a general's epaulets. None of the state and political figures from the official tribunal followed the example of Sergey Shakh-ray—he did not publish the data on the property situation and incomes. The press and television also grew tired of—or seemed uncomfortable with—the theme of corruption. They prefer to lapse into general discussions, sometimes sluggishly stinging personalities of rayon or settlement scale.

Meanwhile, corruption has obtained a qualitatively new dimension. It has not only resolutely widened its boundaries, having covered practically the whole country with its hairy paw and ensnared all the degrees of the administrative ladder. A union of influential groups of bureaucrats, with the criminal and semi-criminal nouveau riche, has actually been organized on the its basis. This not only bleeds the country economically and prevents the growth of production enterprise, but has also become a weighty political factor (let us remember Ye. Gaydar's "determinant"). In many cases, this iniquitous union interferes in the electoral process, turns the practical realization of certain government decisions to its advantage and has a direct influence on other decisions. The Russia of reforms is turning into the Russia of corruption. This is already scaring off its Western partners. The Paris QUOTIDIEN DE PARIS wrote the other day that corruption in Russia was of a scope that created serious ethical problems for those in the West who were doing business with it.

Yegor Gaydar, obviously, underestimates the effect of the sluggish stand of authority on the corruption processes. I am not going to find fault with the natural striving to minimize the "exploits" in this field, to use his expression, of "new people," and to give first place to the "former" schedule of appointments: it is dictated by the transparent political biases and gains. In real life, things are going, of course, otherwise—the division here is not in any way taking place on this basis. In the embezzlement of public funds, both these schedules of appointments merge very nicely, although not without conflicts.

When Yegor Timurovich writes that "the main thing is to destroy the objective bases of corruption and the state's monopolistic power over ownership," he is, of course, right. No less important, however—particularly under the present Russian conditions—is the way the state parts with its property. A unique process—even the Chinese phenomenon bears only a distant resemblance—is taking place in Russia right now, a process of alienation from the state and feverish dividing up of huge property worth hundreds of billions of dollars. It is being done actually behind the

scenes, outside democratic control, farmed out to an army of officials, many units of which were corrupted from the start. The formal participation in this process of part of the population and work collectives is, of course, no hindrance to it. They have absolutely no understanding of either the essence or the technology of what is taking place, and are subject to pressure from the management of the enterprises, which makes wide use of the threat of unemployment as a warning to "parliament." This system of privatization is undoubtedly a fantastically powerful supplementary feeding factor for the corruption bacchanalia.

Finally, corruption in Russia, as everywhere, incidentally, does not boil down to merely embezzlement of public funds and bribery. Perhaps, though, it is in our country, against a background of the boundless "flood" of them and the loss of ideals that political, moral corruption has taken on immeasurable scope. It has dragged many state officials, parliamentarians and professionals of various colors into its rapids. I am not concerned with the privileges with which the state pays for the stress, fervor and loyalty of its officials, although, of course, I do not agree with Ye. Gaydar when he states that it is "not a struggle against privileges, and especially not unappetizing populist outcries on this subject" that we need to counter corruption. The temptation is great to recall that these "outcries" were the main hobby-horse of the democrats in their campaign for power. The point, however, lies in something different: privileges stimulate corruption, if they are not open and known to society, but are secret.

I have something else in mind: not only is conformism widespread among by no means ordinary statesmen, but also a readiness to "swap" their political, civic duty for material and other blessings, for the favors of the top echelons, and also for the strides of authority encouraging this trend. Commonplace on our public scene are the figures of the guardians of the law who manipulate original documents with impunity; generals, changing the oath; deputies hastily privatizing their official quarters; public prosecutors submitting their formal charges to the press; democrats worshipping Pinochet; finally, writers kissing up to the authorities.

What is unbearably bad, though, is the penetration of this trend into the relations between various branches of power. Was it not in this spirit that the proposal that the Russian deputies leave the White House in exchange for material reward was sustained in the pre-October days? Can we not now see the obvious striving to make the conditions of work and everyday life of the deputies of the State Duma dependent on their "correct" behavior? Look how Vitaliy Kolbasyuk, in NEZAVISIMAYA GAZETA, describes the mutual relations of the Moscow municipal council and city дума: "The State machine was attached to each of its members, and now they are quietly finding apartments for the people's chosen ones. Perhaps that is why there are no scandals in the city дума, and the Moscow дума members, fully dependent

on the municipal council, but with no grounds for complaining that they are paid no attention, are working fruitfully."

Such phenomena, of course, also occur in other countries, but usually do not emerge at the level of political manners. World experience has already reliably proved that the leadership of the executive power is above the representative, and anti-democratic structures and procedures are breeding corruption.

Corruption and corrupters have advanced far, very far in our country. It is bitter to realize it, but the immune anti-corruption potential of society has been seriously undermined. The boundlessness and falsehood of the hired pens surrounding it has dulled the people's reaction, and many have succeeded in suggesting that this is, if not a normal, then in any case, a common and inevitable phenomenon.

There is no doubt about it, corruption has already turned into an obstacle that is hard for any course of reform—shock or otherwise—to surmount. This, by the way, is one of the reasons why in Russia "enlightened authoritarianism" is impossible and doesn't work. Its reform is conceivable only along a democratic path and at the hands of democrats who are not mercenary-minded. The fight against corruption, naturally, should be the programmed task of all true democrats and patriots—both those in the corridors of power and those opposing it.

MVD Assesses Fight Against Crime 1993-94

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[Feature comprising address to Russia's citizens from the Russian Ministry of Internal Affairs and "Materials from" "Report by the Ministry of Internal Affairs to Russia's Citizens" under the "ROSSIYSKAYA GAZETA Exclusive" rubric: "We Will Conquer Crime Jointly"]

[Text] We hope that this report on our work, published for the first time ever in ROSSIYSKAYA GAZETA, will help to give an objective impression of the results and problems of the operational and service activity of MVD [Ministry of Internal Affairs] organs and troops.

At the same time we would like Russians to realize that the capacity of law enforcement organs to perform the tasks assigned to them increases in direct proportion to the support given to them by the entire population.

Therefore Russia's MVD addresses all citizens, political parties and movements, public and religious organizations, state employees, entrepreneurs, and workers in state and commercial structures with an appeal to rally for the sake of the nationwide cause—the struggle against crime.

Each and every one of us must realize that a war is being waged against crime and that if the organs of law and

order and society's healthy forces give in to the murderers, violent criminals, thieves, robbers, embezzlers, and corrupt elements of all hues, there will be no future for Russia.

We appeal to all Russians not to remain passive onlookers of other people's grief and human suffering, to perform their civic and moral duty, and to help us in imposing order in the country, fully exercising at the same time their legitimate right to necessary self-defense.

We ask the Russian parliament not to delay the adoption of legislative acts on immediate measures in the struggle against crime, especially organized crime and corruption.

We address the federal and local organs of power and self-government to give the MVD organs material, technical, and financial support. Miserliness in the struggle against crime works out too expensive.

We address the Russian intelligentsia, our teachers, the workers in science and the arts, and the clergy: Help us by means of your moral example, words, and deeds in these hard times.

We are fully determined to strengthen our cooperation with journalists and render the MVD's system as open as possible to them.

We appeal to the young people—talented, morally and physically staunch, and prepared to make sacrifices for the sake of the law's triumph—to join our ranks.

We address the older generation and the veterans. Believe us, your lives have not been in vain. We appeal to you: Carry on educating the young generation in the spirit of patriotism and love for the fatherland, the spirit of respect for the letter and spirit of the law and the people upholding it.

Entrepreneurs and representatives of state economic and commercial structures: Your successful activity based on the law means more than just your good reputation and your personal prosperity. It is also the path to our society's prosperity. Do not resent spending money on the struggle against crime and on social and charitable programs, help people in distress. Society will be grateful for your self-sacrifice and benevolence.

Citizens of Russia! We have a common and extremely dangerous enemy threatening our national security—crime. We will succeed in defeating it only through joint efforts by the whole of society, through resolute and offensive actions.

[signed] Russian MVD

The internal affairs organs and the Internal Troops performed their operational and service tasks in complex sociopolitical and economic conditions distinguished by persistent inflation, deterioration of the prosperity of some groups of the population, and growing social tension.

Nonetheless, quite a large volume of law enforcement work was done. Some 1.263 million people were charged [izoblicheno] with having committed crimes, and money and valuables worth 168 billion rubles [R] and more than one tonne of precious metals were confiscated from them.

For the first time in the last five years, the growth of crime has been somewhat contained thanks to the joint efforts by state and regional structures. Crime rose by only 1.4 percent in 1993. Crime has been reduced in virtually every other region in Russia.

The system of the Russian MVD's organs and troops has proved in deed that it is a stably functioning state structure, capable of mobilizing itself and effectively performing its set tasks. Attempts by certain political forces to impair its work and compromise it have failed.

This was helped by the policy, firmly pursued by Russia's president and government, of stepping up the struggle against crime, consolidating law and order, and giving maximum support to the activity of MVD organs and troops.

The federal executive power took a step without precedent in the MVD organs' history—centralized allocation of considerable manpower resources. A program for the stage-by-stage material and technical backup for internal affairs organs through 1995 was adopted at state level for the first time.

The activity of internal affairs organs will also be improved as a result of the reform launched on the Russian MVD's initiative, whose purpose is to consolidate the basic link—city and rayon forces—and to subordinate the entire operational and service activity to the protection of the civil rights and freedoms guaranteed by the new Constitution of the Russian Federation.

Crime Prevention

The crime prevention measures adopted in 1993 failed to produce the expected results.

Serious crime continued to increase. The level of criminality also increased somewhat.

Russia's MVD, within the limits of its potential, countered criminality by large-scale utilization of the available men, equipment, and weapons along the most important avenues of the struggle against crime and in regions with complex operational conditions. A series of large-scale operational and preventive operations were conducted at interregional and federal levels. Just two of them—"Signal" and "Podrostok," conducted simultaneously in 26 regions, resulted in the detention of 28,000 criminals, the institution of administrative proceedings against more than 870,000 offenders, and the solution of about 2,000 cases of theft and vehicle theft.

Attention was given to the prevention of violent crimes associated with drunkenness, gross behavior, moral

squalor, personal animosity among some people, senseless and savage fights, and bodily harm and murder for domestic reasons.

Last year, and with a view to improving the situation in everyday life, control was established over 43,700 locations with high concentration of criminogenic elements, including 34,000 dens of alcoholics and drug addicts. Some 290,000 alcoholics and 6,500 drug addicts were committed to voluntary or compulsory treatment.

Administrative legislation was actively applied for preventive purposes. Proceedings for petty hooliganism were instituted against 1.168 million persons and 254,000 persons guilty of scandalous debauched behavior within the family.

Persons returning from places of detention were monitored by the militia. Any actions by those among them who attempted to resume their past activity were cut short. Criminal proceedings were instituted against 287,000, and administrative proceedings against 280,000 persons who had committed crimes previously.

One of the main tasks was to prevent child vagrancy and offenses by adolescents. Some 267,000 "difficult" adolescents were taken under preventive supervision. As a result of the work that was done, about 130,000 were taken off the records due to their rehabilitation. Measures were taken against 63,000 parents who were neglecting their children's upbringing, and case files on 13,000 of them were sent to the courts to decide the question of deprivation of parental rights.

But there was no success in halting the growth of adolescent crime.

The reason is that the level of society's moral influence on the younger generation declined everywhere. The numerous science and technology study circles and free sports facilities for children have closed down. The number of adolescents without parental supervision has increased.

Many organs of local self-government have ceased paying attention to jobs for adolescents and the organization of their free time. Whereas two-thirds of minors on the militia's records vacationed out of the cities in 1988, only one-third did so last year.

Generally speaking, the negative changes in the status of criminality are the consequence of social problems associated with the weakening of state power, the growth of legal nihilism, the moral degradation of some groups of the population, the aggravation of the population's incomes differentiation, and the emergence of the destitute and the unemployed.

Russia's MVD realizes that these problems can be solved only at state level. Therefore, much hope is pinned on the federal program for the struggle against crime, the revival of the system of social law enforcement formations and the revision of its purpose, and the cooperation with religious organizations, commissions for minors'

affairs, guardianship and health care organs, employment services, and centers for the social protection of children and adolescents.

A reliable juridical base is also necessary in order to solve the problems of crime prevention and law enforcement. Last year Russia's MVD was involved in the preparation of 70 draft laws and legal acts of the Russian Federation president and governments, which are already in force.

But legislation is obviously lagging behind the realities of life.

The law enforcement organs especially need the earliest possible adoption of new criminal, criminal procedure, and penal codes. They would provide the basis of their activity.

Russia's MVD has addressed the State Duma with a request to urgently consider the draft laws on key problems of the struggle against crime and the functioning of the law enforcement system, and hopes that deputies will support it.

Results of the Work To Investigate and Solve Crimes

The duty sections of internal affairs organs are the main organizers of the solution of crime "hot on the trail." Last year they organized up to 1.5 million scene-of-crime visits by investigating operations groups. Crimes solved "hot on the trail" with participation by duty sections accounted for 44.8 percent of the total.

A large volume of the work to solve crimes was done by criminal investigation detectives, criminology experts, investigators, and officials from other services.

The clear-up rate improved somewhat thanks to their hard work (from 46.9 percent in 1992 to 50.6 percent in 1993). Some 1.395 million crimes were solved, including 273,000 serious crimes.

Broad publicity was given to the solution of the serial murders of women and children committed by the sex maniacs Golovkin and Ryakhovskiy in Moscow Oblast and Tsyuman in Rostov Oblast, of the three monks in Optinaya Pustyna, and the armed raid on Krasnoyarsk Kray's Mostovskiy Rayon Internal Affairs Department. Unique treasures worth R10 billion were recovered from robbers who stole them from the arts combine museum in Dagestan's settlement of Kubachi.

Internal affairs organs, jointly with the Russian Army and subunits of the Federal Counterintelligence Service, successfully conducted a unique operation last December to release the school pupils seized by bandits in Rostov-na-Donu—one of the most complex operations in the entire world practice in the struggle against terrorism.

On the whole, the personnel were more resolute in counteracting the criminal elements. Last year staffers of

the internal affairs organs used firearms on 2,200 occasions to deal with crime, and in this process 376 dangerous criminals who offered armed resistance were killed.

The investigations apparatus is a key link among the services and subdivisions providing backup for the solution of crimes.

Last year investigators of the internal affairs organs handled 2.7692 million criminal cases. Investigations of 753,000 cases were completed (up 12.6 percent), and 542,000 of these (up 20.2 percent) were sent on to prosecutors with the appropriate indictments. Some 437,700 suspects were detained during preliminary investigations, and almost two-thirds of them were subsequently arrested.

But the principle of the inevitability of punishment was not fully applied. About one-half of all crimes—1.364 million, 725,000 of which involved theft of personal property—remained unsolved. No culprits were identified in 6,400 murder cases, 21,200 cases of grievous bodily harm, 18,900 robberies with violence, and 114,900 burglaries. One out of every four persons missing without trace and on the federal list of wanted persons was never found.

In 1994, Russia's MVD will tighten up to the utmost its requirements as regards results from the work to solve crimes. A package of measures has been elaborated and is being implemented to expose persons engaged in racketeering or committing contract murders, burglaries, robberies with violence, hijackings of motor vehicles, and thefts of cultural treasures. We still have to improve the system for tracing criminals who are on the run from investigation and court proceedings and persons who have vanished without trace, especially those who have disappeared in criminal circumstances.

The work of tracing operations groups will be stepped up to expose extortionists, robbers, thieves, organizers of fraudulent gambling, and other criminal elements.

At the same time, these and other measures will not yield the desired results unless an end is put to the persistent judicial practice of passing unjustifiably soft sentences on persons guilty of committing serious crimes.

During the first half of last year, and despite the commission of crimes in aggravating circumstances, criminal punishment sentences not involving detention were passed on about 60 percent of persons guilty of thefts and on more than 50 percent of persons involved in robberies.

The courts passed detention sentences on only 9.2 percent of officials and other persons in positions of responsibility found guilty of embezzlement by misappropriation, fraud, or abuse of office in aggravating circumstances.

Almost 42 percent of criminals who had committed embezzlement on especially large scale went free. Just

over one-third of corrupt functionaries, proved by militia staffers to be guilty of bribery, were given real detention sentences.

The Struggle Against Organized and Armed Crime and Corruption

Last year the internal affairs organs exposed 5,700 organized crime groups, this being one-third more than in 1992.

Criminal proceedings were instituted against 11,400 organizers and active members of criminal groupings. One out of every six groups engaged in interregional criminal activities, while more than 300 groupings committed criminal actions outside Russia either jointly with criminal elements from nearby and distant foreign countries, or autonomously.

According to operational data, there was a total of almost 150 major criminal fraternities operating across Russia's territory and controlling the activity of several thousand numerically smaller and less organized groupings. According to operational data, their sphere of influence extended over more than 35,000 entities engaged in economic activity.

These mafia-style fraternities tried to divide the federation's territory into spheres of influence, got actively involved in the economy, and lobbied for their interests with power structures at all levels, using in this process bribery, blackmail, threats, and direct violence.

In these conditions, Russia's MVD was forced to undertake the creation of a fundamentally new system of organs for the struggle against organized crime—strictly centralized, enjoying reliable operational information, and having at their disposal specialized mobile rapid reaction combat subdivisions.

Their contribution to the struggle against organized crime is already more substantial. Forces from regional administrations for organized crime, in collaboration with other services of internal affairs organs, eliminated a considerable number of dangerous gang formations and confiscated from the criminals more than 1,100 cars, about 500 radio transmitters, and 11,700 firearms. MVD organs confiscated from illegal circulation 53,000 firearms, including 7,400 rifled weapons.

The struggle against corruption was stepped up somewhat.

Some 4,500 instances of bribery (up 34.8 percent) and about 1,500 officials in breach of the president's edict on the struggle against corruption were exposed. Two-thirds of those officials were dismissed from office or incurred different forms of punishment.

At the same time, Russia's MVD is highly critical of the results of the struggle against organized crime and corruption.

Many corrupt functionaries still engage in graft with impunity, illegally open accounts with banks abroad,

acquire real estate abroad, and include their relatives as cofounders of commercial structures sponsored by them.

So far there have been few results from efforts to solve criminal explosions and contract murders, including murders of bankers and entrepreneurs, committed by criminal fraternities.

The aggressiveness of the struggle against such criminal activity is also held back by the absence of laws "On Struggle Against Organized Crime," "On State Protection of Judges and Staffers of Law Enforcement and Monitoring Organs," "On Protection of Witnesses, Victims, and Other Persons Cooperating with Criminal Proceedings," and "On Immunity from Criminal Liability as a Result of Effective Repentance and Participation in Operational Investigations Activity."

This year Russia's MVD is preparing new targeted strikes against criminal groups operating in the sphere of motor vehicles production and engaged in the marketing of stolen cars, including abroad; gang formations raiding railroad junctions, highways, airports, and coastal and border regions.

It is planned to conduct large-scale operations in the struggle against organized crime, primarily in regions where criminal groupings are most active. The sources and channels for the illegal circulation of weapons, ammunition, and explosives will be resolutely blocked. It is planned to conduct comprehensive stocktaking of weapons wherever they are manufactured, transported, stored, or used.

At the same time, efforts are being stepped up in the struggle against drugs trafficking. Last year already saw the detection of 53,200 such crimes (an increase by a factor of 1.8). There were twice as many detected instances of the manufacture and marketing of drugs (8,200 cases). More than 54 tonnes of drugs and narcotic plants were confiscated, and about 300 underground laboratories were eliminated, including laboratories producing synthetic drugs.

But the efforts of internal affairs organs alone are clearly not enough. The activity of medical institutions dealing with the cure of drug addicts is being curtailed. There is a lack of the necessary means and effective methods to destroy the raw materials base of drug addiction, while more than 1 million hectares of Russian land are polluted by hemp growing in the wild.

This is why Russia's MVD devotes the most serious attention to the elaborated of a federal targeted program of "Comprehensive Measures To Counter the Abuse and Illegal Trafficking of Drugs in 1994-1995."

Ensuring Economic Security, Protecting the Consumer Market

The criminal militia subdivisions exposed 110,400 crimes in this sphere. The number of exposed cases of large and especially large embezzlement increased by one-fourth (to reach 7,500).

The most serious economic crimes were exposed and blocked in the sphere of credit and banking relations. Criminals exploited to the utmost loopholes in legislation and shortcomings in the organization of banking activity, specifically the flaws in the system of interbank settlements, the lack of security along the channels for transmission of payment documents, and the breaches by commercial banks of elementary rules for conducting money operations. This resulted in large-scale swindles involving forged payment advices and "Rossiya" checks, illegal acquisition and utilization of preferential credits, and other mercenary abuses.

The MVD organs, within the limits of their powers, countered these crimes which are essentially **financial sabotage**. There were 4,300 crimes successfully exposed in the banking system in 1993, including cases of embezzlement whose number increased by a factor of 3.7. The misappropriation of almost R2 trillion was prevented, and 429 criminal groupings were exposed.

A Russian Federation Interdepartmental Commission for Questions of Cooperation Between Banks and Law Enforcement Organs was created with a view to imposing order in banking affairs. Additional proposals are being elaborated, aimed at enhancing the status and efficiency of this coordinating organ.

In the conditions of the state border's "transparency," measures were taken to prevent the exportation of oil products, strategically important raw materials, other commodities subject to quota limitations, and foreign currency assets. More than 9,000 crimes involving the illegal exportation of strategic raw and other materials were exposed. Operation "Trawl" alone, conducted jointly with other law enforcement organs, blocked the illegal exportation of 97,900 tonnes of oil products, 17,800 tonnes of metal, and goods in short supply worth more than R18 billion.

A struggle was waged against the counterfeiting of money.

The release of counterfeit money to a total of more than R1.5 billion and \$650,000 into circulation was prevented; counterfeit Russian money to a total of R9.4 billion and privatization checks to a total value of R64 million were confiscated from circulation. Proceedings were instituted against more than 400 makers and distributors of counterfeit bank notes. But subdivisions of the Ministry of Finance, the State Bank, and Goznak [Main Administration for Production of State Bank Notes, Coins, and Medals] must immediately take the most resolute measures to protect Russian currency against forgeries. This is the only way to halt this criminal aggression.

Some 27,700 crimes involving privatization checks were exposed. Numerous instances were discovered when the balance sheet value of facilities being privatized had been reduced, or when facilities whose privatization was prohibited had been either sold or leased with the right to subsequent purchase.

Some measures were implemented to impose order in the consumer market. Last year saw the exposure of about 15,000 instances when purchasers were defrauded, and 5,000 cases of illegal enterprise.

But the measures being taken are still ineffective and the process of criminalization in individual spheres of the economy is swelling. In order to contain it, we need measures, coordinated at federal government level, to improve the entire economic mechanism's work.

More aggressive actions are also needed by monitoring organs. There is only slow advance in the process of setting up subdivisions of the tax police, the antimonopoly committee, the foreign currency and export control services, the alcohol inspectorate, and others.

Russia's MVD, jointly with other ministries and departments, plans to institute rigid control over the utilization of all kinds of financial and credit benefits; to continue its inspections of the formation of initial capital in commercial structures, primarily those created by utilizing state property.

It is also planned to conduct an inspection of the legality of barter deals involving the delivery of rare-earth and nonferrous metals and of fish and other produce to nearby and distant foreign countries.

There will be an investigative operations audit in 40 regions to cover almost 1,300 entities engaged in entrepreneurial activity, which are directly or indirectly involved in embezzling from the banking system R80 billion using forged payment advices and R68 billion using the unauthorized entry of false data in the computer network of the Central Bank of Russia Main Payments and Cash Center.

It is planned to give assistance to customs organs and border guards in cities with international sea and river ports and airports.

Ensuring Public Order and Protecting Property

About 100,000 precinct patrol details covered the streets of Russia's population centers to ensure public order. They took part in solving 73,300 crimes, including 30,300 thefts, burglaries, and robberies with violence.

The OMON [special purpose militia detachment] servicemen made a certain contribution toward ensuring public order. Several additional such detachments were formed last year. Now they exist in 77 republic, kray, and oblast centers, as well as in 20 cities with a population of more than 300,000.

But there was no success in halting the growth of acts of violence and vandalism in Russia's city streets. They were the scene of 334,000 crimes, or of one out of every eight.

This is to a certain extent due to the fact that patrols are understrength. Many organs of state power in Federation components and organs of local self-government are in no hurry to implement the demands of the Russian

president's edict on the public safety militia. Consequently, the strength of patrols in the Federation as a whole is just over 50 percent of the set normatives. This service is staffed only 15-30 percent in Novgorod, Orel, Tver, Rostov, and Chita Oblasts.

In the conditions of militia cadre shortage, Russia's MVD was forced to ask the public for help. Following an initiative by MVD organs, voluntary people's militia detachments, including Cossack detachments, resumed their activity in Krasnodar and Stavropol Krays and in Astrakhan, Vladimir, Volgograd, Vologda, Voronezh, Rostov, Samara, and Yaroslavl Oblasts. The first 15,000 members of voluntary people's militia detachments also appeared in Moscow.

The potential of 3,000 nonstate protection and detection structures, legislatively authorized to use gas weapons and personal protection means, started being utilized for the sake of ensuring public order. Thus, jointly with Moscow Oblast's Noginskiy Rayon Internal Affairs Administration, one such protection enterprise performs special missions to prevent thefts and the unauthorized tacking of motor vehicles and participates in motor vehicles inspections. And this is not an isolated example.

Russia's MVD is enhancing its demandingness toward the precinct patrol service, the external appearance, helpfulness, and proper behavior of patrolmen, and their initiative and determination in dealing with offenses. A system of daily reporting and monitoring the work of each staffer of this service is being introduced.

There will also be an enhancement of the personal responsibility borne by precinct inspectors for the state of law and order, the management of militia details on their territory, and their constant contacts with the population.

Last year they solved more than 232,000 crimes, including a large number of domestically-motivated cases of murder and grievous bodily harm, as well as mercenary offenses.

Extradepartmental protection ensured the safeguarding of the property of citizens and installations under all forms of ownership. This service protected 485,000 blocks and apartments and about 300,000 enterprises, banking institutions, stores, and warehouses. There were about 3,000 centralized protection centers in operation. Some 8,500 armed security groups with the right of arrest [vooruzhennaya gruppa zaderzhaniya] operated around the clock.

The reliability of protection remains quite stable. On average, there is success in preventing 96 percent of attempted thefts from protected facilities. As a result of this, thefts of property worth many billions of rubles have been prevented.

The protection of facilities for the storage of weapons, narcotics, precious metals, historical and artistic treasures, and expensive consumer goods will be stepped up in 1994.

At present the extradepartmental protection service has the latest alarm and warning systems and sufficient manpower. We have a chance to conclude contracts for the protection of commercial banks, offices, and so on. All we need is for leaders of enterprises under all forms of ownership to show interest in cooperating with protection service subdivisions.

Ensuring Road and Fire Safety

A certain volume of work has been done in the sphere of ensuring road safety. Gross violations of the Road Traffic Regulations resulted in the detention of 26 million drivers, including 1.69 million for driving motor vehicles while drunk.

State Motor Vehicles Inspectorate [GAI] staffers detected more than 5 million instances of drivers breaking the speed limit and 2.3 million cases of breaches of seat belt regulations.

Despite the measures that have been taken, the number of deaths on the roads reached 37,120, while 192,800 Russians were maimed or injured.

The deterioration of the quality of Russian roads made a significant contribution to the high incidence of road accidents. The standards elaborated by the MVD, jointly with the Russian Ministry of Transport, for the building and maintenance of roads were not observed by the majority of economic organizations.

The new Road Traffic Regulations are designed to enhance road safety. They regularize road traffic in housing zones and farming areas. They clearly define the militia staffers' rights as regards subjecting drivers to breathalyzer tests and the verification of drivers' knowledge of the rules and their driving habits. It is planned to introduce an annual technical inspection of motor vehicles which have been in circulation for more than five years and are used for entrepreneurial activity.

Motor vehicles belonging to foreign legal entities and citizens (excluding diplomats) are now subject to state technical inspection.

At the same time, Russia's MVD perceives the high incidence of road accidents also as a consequence of the inefficiency of GAI's work. The monitoring of motor vehicles' technical condition remains inadequate. There are frequent instances of rash decisions to regulate road traffic. The problems of GAI staffers' participation in the tracing of hijacked and stolen vehicles were resolved only slowly.

Bearing in mind the extremely complex situation on the roads, Russia's MVD has instructed the GAI to adopt the strictest legal measures against deliberate offenders and to tighten its monitoring of the observance of rules,

normatives, and standards operating in this sphere by departments, organizations, and citizens.

Measures are also being taken to establish an interregional deterrent system of militia control points on the highways. The federal computer system for tracing motor vehicles will be brought up to design strength.

Intense struggle was waged against fires. The measures that were taken made it possible to reduce their incidence in 26 of Russia's republics, krays, and oblasts. There were fewer fires in buildings for production purposes, stockbreeding premises, and other agricultural production facilities. Fires are less frequently started as a result of breaches of rules governing the installation and use of electrical equipment and domestic electrical appliances. A total of more than 710,600 fires were prevented, while 30,100 persons and material assets worth R94.2 billion were saved from fires.

Nonetheless, there were 331,400 fires in Russia last year (5.9 percent more than in 1992), causing damage worth R203.9 billion. The loss of human life as a result of fires reached 13,700 persons. One out of every five dead persons was a child. Some 11,500 persons suffered injuries and burns.

This is mainly the result of noncompliance with the elementary demands of fire safety by officials and citizens. There was an especially large number of violations at facilities of the power industry, the timber processing industry, and railroad transport.

One out of every three fires was in a rural locality. Meanwhile, only one-third of collective farms have voluntary fire brigades, and their number is steadily declining.

The federal program "Fire Safety and Social Protection" was adopted last year on the initiative of Russia's MVD. It envisages a package of measures to develop the fire fighting service infrastructure, strengthen fire safety in the countryside, and convert the professional fire fighting service into a militarized service. It is necessary to work on and resolve the question of creating municipal fire fighting service subdivisions funded from local budgets.

On the Work of Passport and Visa Subdivisions

An autonomous Passport and Visa Service of the internal affairs organs was established last year in compliance with legislation.

The passport and visa subdivisions started their work in complex conditions. The issue of foreign travel passports, valid for five years and multiple journeys to all countries in the world, has resulted in long lines and in citizens' dissatisfaction with the long time it takes to deal with their applications.

Russia's MVD critically appraised the prevailing situation. Last May the government decided to reinforce the

service by 7,600 units and ensured its supply of blank foreign travel passports, thus partially alleviating the existing problems.

Last year the passport and visa subdivisions processed and issued to citizens a total of 3 million passports for temporary travel abroad (against 1.5 million in 1992), as well as 114,000 passports to people traveling to take up permanent residence abroad (103,700 in 1992).

In addition to this, the service systematically monitored the rules governing residence by foreign citizens in the Russian Federation. Administrative proceedings were instituted against 9,400 foreigners. The commission of offenses resulted in the forcible (under escort) deportation of 643 citizens of foreign states (354 in 1992).

In fulfillment of the Russian federation president's edict "On the State Seal of the Russian Federation," the service prepared a mockup of a new-style passport for Russian citizens. It is expected that it will be issued to tens of thousands of young people in the new year (provided it is approved).

A new procedure governing citizens' travel abroad, in line with the most rigorous international law standards, came in force in Russia 1 January 1993. Passports are issued to all who apply for them. The time for the processing of applications has been reduced (up to one month for temporary travel, up to three months for travel to take up permanent residence).

In the new year Russia's MVD requested the service's leaders to ensure compliance with the set time limits for dealing with citizens' applications and applications sponsored by organizations, as well as the proper standards when dealing with the population and processing applications for foreign travel documents.

On the Penal Organs' Work

At the beginning of 1994 corrective labor institutions held about 600,000 persons, including 21,600 women and 19,100 adolescents. In addition to this, 233,500 persons were held in pre-trial detention centers and jails.

The "criminogenic composition" of convicts deteriorated sharply. About one-half of them were serving punishment for violent crimes, 60 percent were repeat offenders, and more than 15 percent were alcoholics and drug addicts.

At the same time, there were also certain positive changes in the work to restore order in the [penal] colonies. The number of murders at places of detention declined by 25 percent, the number of escapes by one-third, and the number of mass disturbances by two-thirds.

Whereas the liberalization of the detention regime for convicts in the late eighties mainly boiled down to imposing softer punishment for offenses on rarer occasions, the policy now is to differentiate between the conditions of detention.

Russian penal legislation is now largely in line with world standards (but this cannot be said about the conditions of detention). Last year about 55,000 persons took advantage of the right to take leave involving travel beyond the place of detention, and 97 percent of them returned safely.

Punishment in the form of deprivation of visits, parcels, and letters, and of the shaving off of hair has been abolished. The legendary form of address as "Citizen Chief" has receded into the past—convicts now can address representatives of the administration by their name and patronymic. Provision has been made for the convict's right to personal safety. If he is under threat of retribution by his "comrades" in detention, it is incumbent upon the administration to take measures, right up to and including his transfer to another institution. Those who are serving sentences are guaranteed the freedom to practise their religion. At the same time, the law has increased to eight years' detention the punishment for escape in aggravating circumstances.

The corrective labor institutions make a significant contribution to the country's economy. The value of industrial output reached R319 billion. Forest-based corrective labor institutions produced commodity output worth R84.1 billion. They produced 7 percent of all commercial lumber, 16 percent of all railroad ties, and 23 percent of all summer cabins.

At the same time, the corrective labor institutions' enterprises, just like our entire economy, are suffering from inflation and the slump in production. Many of their business partners, lacking economic interest in the utilization of convict labor, continue to curtail the production sharing ties established with corrective labor institutions and halt deliveries of material resources. Consequently, some 200,000 convicts were without work by the end of last year and yet the right to work was already being granted as reward for good behavior.

Pre-trial detention centers found themselves in a particularly difficult situation.

Today two-thirds of pre-trial detention centers and jails are dilapidated and some are housed in stockades dating back to the times of the Empresses Elizabeth and Catherine. The wall at the local pre-trial detention center in Novokuznetsk collapsed due to dilapidation and it was only luck that nobody died beneath the rubble. These institutions are overcrowded by a factor of 1.5 above the set norms, while overcrowding in some of them—St. Petersburg's Kresty, Moscow's Butyrka, and Yekaterinburg's pre-trial detention center—is by a factor of three to four.

Taking all these facts into account, Russia's government adopted a special decree to reinforce the material and technical base of pre-trial detention centers and jails. Given proper financing, the MVD will ensure its unconditional fulfillment.

Service Activity of the Russian MVD Internal Troops

In 1993 the Internal troops, jointly with the militia, guarded public order and safety, the most important state facilities and cargoes, and corrective labor colonies, and escorted convicts and detainees. A 5,000-strong grouping of troops was permanently stationed in North Ossetia and Ingushetia.

Soldiers and Officers of MVD troops took part in 80 operations. They detained more than 5,000 persons who had committed crimes and 430,000 persons who had committed administrative offenses, and confiscated from criminal elements 1,150 firearms, about 3,000 units of cold steel weapons, 21 kg of explosives, 28,000 rounds of ammunition, and 16 units of armored equipment and artillery systems.

They vigilantly served to guard cargoes and special facilities, especially in the nuclear arms complex and the atomic industry. Patrols and soldiers' details detained 48,000 persons attempting to penetrate these facilities, and recovered for the state embezzled material resources worth R1 billion. More than 200 attempts by convicts to escape from corrective labor institutions were thwarted.

There are numerous examples of selfless performance of service duty by the troops' personnel. During the hearing of a case at Dagestan's Supreme Court, seven armed gunmen opened fire in the court room in an attempt to free the defendants. The Internal Troops escort, although in the minority, skillfully used their weapons and, jointly with militia staffers, rendered the criminals harmless.

But the Internal Troops find it quite hard to perform their set tasks—the units' manpower strength is only 53 percent. In 1993 this situation was remedied by recruitment for contract service. About 10,000 contract servicemen were selected and have started serving.

A state program for the development of Internal Troops through the year 2000 was adopted on the Russian MVD's initiative. It is planned to create subunits for direct struggle against crime and equip them with new equipment and weapons, and to use transport aviation to enhance the units' mobility and their readiness for immediate actions in any of Russia's regions where a threat to internal security may develop.

By 1996 the functions of guarding places of detention will pass fully to the penal system, as is done in the overwhelming majority of countries. The Internal troops will be given an opportunity to concentrate fully on their main task: To protect the rights and freedoms of citizens, maintain internal stability, and struggle against crime.

International Cooperation

The preservation on the territory of the former USSR of a "single criminogenic space" has required that the Russian MVD conduct an active search in conjunction with the ministries of internal affairs of the CIS countries for measures to counteract crime.

With our partners in the "nearby foreign parts" 11 multilateral agreements have been signed concerning cooperation in various fields of activity by the internal affairs organs. A specific mechanism for implementing these agreements was discussed at sessions of a specially created organ—the Conference of Internal Affairs Ministers of the Independent States.

The formation of a standing Bureau has been started for coordinating the fight against organized crime and against transnational groupings engaged in sophisticated extortion, weapons dealings, and banditry.

Apart from that, bilateral agreements have been concluded with the MVD's of Ukraine, Kyrgyzstan, Turkmenistan, Latvia, Kazakhstan, Armenia, Tajikistan, and Lithuania.

Interstate cooperation has progressed furthest of all in the sphere of combating the illegal traffic in narcotics. "Monitored deliveries" operations carried out jointly with the special services of foreign countries made it possible to arrest in Paris and Stockholm four citizens of Ghana, Liberia, Jamaica, and France involved in drugs trafficking.

Cooperation within the framework of Interpol is expanding. Of the 117 member countries of this organization, 115 cooperate with Russia's MVD. An up-to-date system of protective communications has been commissioned which makes it possible within 10-15 minutes to verify when and in which country a particular stolen vehicle was taken, and to carry out operational exchanges of information of other kinds with the general secretariat and national bureaus in Interpol's member countries.

In total, using Interpol's potential, 2,689 crimes were cleared up in 1993 including 1,257 motor vehicle thefts, 511 economic crimes, 277 cases of the counterfeiting of money and of securities, 139 thefts of items of cultural value, and 109 crimes against the person.

Material-Technical, and Financial Support

The Russian MVD has done a certain amount of work on improving the material-technical, and financial support of the internal affairs organs.

However, the criminal world has kept pace with us and sometimes even overtaken us, having at its disposal modern weapons, efficient electronic instruments for observation, for monitoring of communications channels, and fast foreign-made transport means.

In 1993 the MVD organs' level of provision with equipment for operational and criminal detection purposes stood at 75 percent, automobiles and buses—65 percent, specialized transport for various purposes—46 percent, bullet-proof vests and handcuffs—50-70 percent. Because of a shortage of finance we were unable to acquire in excess of 7,000 passenger cars, 8,000 trucks,

136 buses, and a considerable quantity of other equipment. The Russian MVD's indebtedness to industrial enterprises amounted to R27.5 billion rubles.

Operational services experienced a deficit of essential equipment. Last year every fourth motor vehicle in alert-duty units had to be written off. Duty vehicles were 70-percent provisioned with fuel and lubricants. Subunits concerned with organized crime were provided with less than half the necessary number of transport means and with only 40 percent of the computers, video equipment, movie and still cameras.

In 1994 appropriations in the order of R16 trillion and capital investment in the sum of R915 billion are required for the needs of the MVD organs, including finance for the State program for the phased development of the material-technical support of the internal affairs organs's operational-service activity for 1993-1995.

The results of the operational-service activity of the internal affairs organs and internal troops during 1993 were discussed at an enlarged sitting of the Russian MVD collegium with the participation of Government Chairman V.S. Chernomyrdin, all the leaders of the MVD, main internal affairs directorates, internal affairs directorates, internal affairs directorates of the territories, district commanders of internal troops, chiefs of training establishments, and of a number of other subunits.

Serious concern was voiced to the participants in the session over the crime situation that is taking shape in the country. The results of work were subjected to comprehensive, objective, and critical analysis and the necessary additional measures were adumbrated.

The main task in 1994 is deemed to be the backup for the implementation of the provisions of the new Constitution of the Russian Federation, and reliable protection for the rights and interests of the individual.

The collegium approved the directive of the Russian Federation minister of Internal Affairs "On the Basic Guidelines for the Operational-Service Activity of the Internal Affairs Organs and Internal Troops in 1994," which defines a package of measures for imposing order in the country and for the substantial improvement of the results of work with crime and ensuring public security.

The necessary adjustments are being made to the organization of the activity of the internal affairs organs and internal troops in connection with the Russian President's Message to the Federal Assembly "On Strengthening the Russian State."

[Editorial note: The report is accompanied by the following graphs and charts:]

Dynamics of Crimes against the Person.

	1989	1990	1991	1992	1993
Murder	13,543	15,566	16,122	23,006	29,213
Grievous Bodily Harm	36,872	40,962	41,195	53,873	66,902
Rape	14,597	15,010	14,073	13,663	14,440

Concerning Persons Committing Crimes (by occupation)

	Percentage of total
Workers	31.6
Private Farmers	0.3
Kolkhoz Members	4.1
Private Entrepreneurs and Members of Cooperative Ventures	2.6
Office Workers	4.2
Persons Without a Permanent Source of Income	34.0
Students	1.0
Pupils	6.9

Structure of Corrupt Persons Liable To Be Tried Before a Court Who Have been Prosecuted.

	Percentage of Total
Employees of the Customs Service	2.5
Staffers of Law-Enforcement Organs	25.8
Deputies	2.2
Employees of Monitoring Organs	3.8
Employees of the Credit and Finance System	11.3
Employees of Ministries, and Local Committees and Structures	42.7
Others	11.4

Russian Coal Industry Jan-Aug 93 Performance Viewed

944E0564A Moscow UGOL in Russian
No 12, Dec 93 pp 14-19

[Report compiled by V.N. Sukhov, candidate of economic sciences and deputy chief of the Strategic Research and Information Support Administration of the "Rosugol" Company: "Brief Summary of the Russian Coal Industry's Work from January to August 1993"]

[Text]

1. Coal Production

1.1. Coal Extraction.

Some 198.3 million metric tons of coal (plus 1.3 million metric tons toward the plan adopted by enterprises,

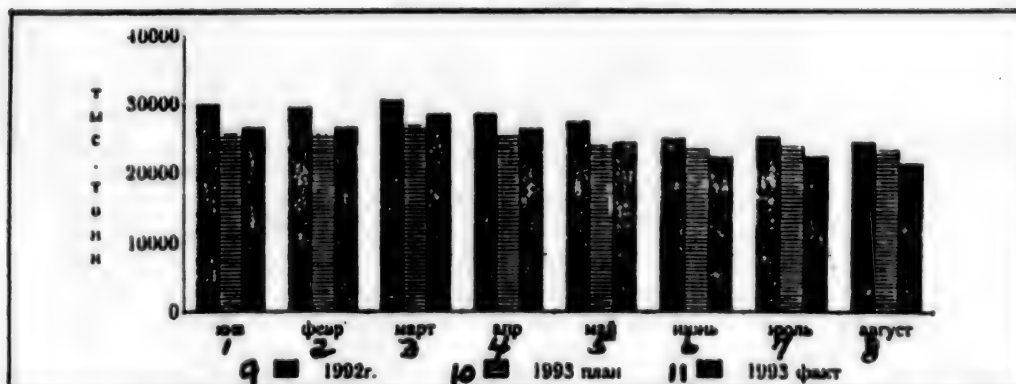
100.7 percent) were extracted from January to August 1993; the decline in extraction compared with 1992 was 21.9 million metric tons (10.0 percent).

The trend of a decrease in the amount of coal mined, compared with 1992, is continuing; the rate of decrease rose 0.3 points (from 9.7 to 10.0 percent) from July to August. Compared with July, the amount of coal mined decreased by 949,000 metric tons, or 4.4 percent.

It should be noted that reduction of the volume of coal mined, compared with what was extracted in 1992, was stipulated in the plans of 28 of the 34 associations (82.4 percent), because the overall coal extraction plan was set lower by 23.2 million metric tons (10.6 percent).

Fifteen of the 37 joint-stock companies, associations, and concerns (40.5 percent) did not meet their plan targets, underfulfilling them by 1.35 million metric tons of coal.

Coal Mined in 1993, By Months



Key:—1. January—2. February—3. March—4. April—5. May—6. June—7. July—8. August—9. 1992—10. Plan for 1993—11. Actually mined in 1993

	August 1993			January-August 1993		
				(in millions of metric tons)		
	Actual	More/Less Than Plan	More/Less Than 1992	Actual	More/Less Than Plan	More/Less Than 1992
1. Coal mined:						
Altogether	21.481	-1.770	-3.034	198.283	1.343	-21.930
Underground	9.173	-1.433	-1.046	86.719	-1.062	-7.670
Open method	12.307	-338,000	-1.988	111.564	2.406	-14.260
Kuzbass	7.5	-1.317	-1.196	68.985	-1.113	-8.051
Donbass	1.628	-188,000	-101,000	14.502	3,000	-280,000
Pechora Basin	1.741	-117,000	59,000	14.811	-141,000	-1.503
Kansk-Achinsk Basin	2.265	-135,000	-974,000	25.627	387,000	-8.595
2. Coal mined for coking	4.631	-574,000	-829,000	41.487	-831,000	-6.457

The principal reasons for the decrease in the volume of coal mined:

- the decline in effective demand for coal products;
- substantial reduction of capacities. It is expected that there will be a reduction of 22 million metric tons in 1993, at a time when provision is being made for the introduction of only 12 million metric tons, that is, a negative balance on the order of 10 million metric tons;
- a decrease in the amount of preparatory operations conducted, and as a consequence, lack of the needed number of stoping faces. Stripping and development workings at the mines were reduced by 82.4 kilometers (11.0 percent) compared with 1992, and the average number of stoping faces in operation decreased by 44.7 faces (6.0 percent). For this reason, extraction losses in the January-August 1993 period added up to 4.9 million metric tons. At open pits, the planned volume of stripping over the 8-month period was

underfulfilled by 41.4 million cubic meters (6.5 percent), a reduction of 43.1 million cubic meters (6.8 percent) compared with 1992;

- the lack of material and technical resources in the volumes needed (70 percent of the rolled ferrous metals, 60 percent of the timber for pit props, 35 percent of the flexible and power cable, 21 percent of the electric locomotives, and 48 percent of the ties were delivered), caused mainly by the shortage of finances. This is having a harmful effect on the operation of mining equipment and increasing the number of injuries. Principally because of the high accident rate and equipment wear, the average daily load on a stoping face has decreased by 16 metric tons (3.2 percent) compared with last year, and coal extraction losses because of this were 1.3 million metric tons higher than last year; and
- it also should be noted that coal extraction losses because of the stoppages at coal mining enterprises in the Kuzbass in June (compulsory leave for workers because of insufficient funds to pay their wages) amounted to 600,000 metric tons and strikes in June (at Vorkuta) and in August (146 mines in Russia) resulted in losses of 213,000 metric tons.

1.2. The Processing and Output of Clean Coal, Large and Medium-Sized Grades and Briquets

On the whole, enterprises engaged in processing coal have been operating steadily, based on the amount of coal brought to the mills. At the same time, it should be pointed out that the mutual indebtedness of the mills

and the mines (open pits) and settlements with consumers of the finished product (nonpayments) are the principal reason for the mills' stoppages because of the lack of coal, and they are affecting the mills' preparation for operation in the winter of 1993-1994.

The main production indicators in coal concentration are cited in the table:

	August		January-August		
			(in millions of metric tons)		
	Actual	More/Less Than Plan	Actual	More/Less Than Plan	More/Less Than 1992
Output of Clean Coal	4.696	47,000	42.182	5.139	-2.036
including for coking	2.628	111,000	22.502	2.589	-1.046
Output of Large and Medium-Sized Grades	1.822	-282,000	18.552	817,000	-1.8
including anthracites	553,000	-92,000	5.187	54,000	-307,000
Output of briquets	171,000	1,000	1.332	76,000	-48,000

The principal reason for nonfulfillment of the plan to turn out graded coals is that insufficient quantities of coal were delivered for processing because the extraction plan was not fulfilled. There was a shortage of railcars to transport the coal for concentration because rail tariffs were not paid and customers refused to pay in advance. For these reasons, only eight of the 26 associations met their target for graded coal; the "Borodinskiy" Open Pit and the Krasnoyarskugol" Association practically discontinued turning it out because of the lack of contracts with customers.

The "Rostovugol" and "Gukovugol" PO [production associations] and the "Obukhovskaya" AO [Joint-Stock Company] failed completely to turn out graded anthracite because of the mines' production recession, although this grade is in demand.

1.3. The Shipment of Coal

In the January-August period, the coal shipment plan for the coal industry as a whole was fulfilled by 100.2 percent, with 400,000 metric tons above the plan being shipped. However, the situation sharply deteriorated in August, and the plan was underfulfilled by 230,000 metric tons, including all the principal coals. The quantity actually shipped over the 8-month period decreased by 27.5 million metric tons compared with the same period in 1992.

The main reason for the unsatisfactory work in August and the decrease in the volume of coal shipped, compared with 1992, is nonfulfillment of the coal extraction plan in August, a decrease of 21.9 million metric tons in the amount of coal extracted compared with the same period in 1992, and MPS [RF Ministry of Railways] railroads' restriction of coal amounts in coal enterprises' applications because they are constantly in debt for transportation fees. In addition, the decrease in shipment volumes has been affected by the increased railroad tariffs beginning 1 August 1993, 2.2 times higher than those in effect since 1 April 1993.

2. Coal Sales

Coal is being delivered this year under more difficult conditions than in 1992; this is mainly because of coal industry enterprises' continuously deteriorating financial condition. First of all, the higher prices for coal, as well as the rise in railroad tariffs, have led to a sharp increase in customer indebtedness: it increased by 3.5 times as much in the July-August period, reaching 307 billion rubles [R] as of 1 September 1993, according to current data. Secondly, the coal enterprises are delaying payment of freight charges. As of 1 September 1993, the debt to the railroads was in excess of R153 billion, including R102 billion to the Kemerovo Railroad, which led to a cutback in the supply of railcars for coal shipment. The poor competitiveness of the Kizelovskiy, Bogoslovskiy, and Podmoskovniy coals, compared with gas, is having an effect on deliveries as well.

As a result, the total volume of coal deliveries in July and August decreased by 22.5 percent compared with the first 6 months of the year, as shown by the following data:

	January to August 1993			
	(in Millions of Metric Tons)			
	Under the Plan	Actual	More/Less Than Plan	More/Less Than 1992
Delivery of coals, altogether	183.9728	186.6922	2.7194	-19.0572
including:				
for coking	25.5886	25.2773	-311,300	-6.578
for public use*	14.0313	14.2449	213,600	-1.1348
for electric power stations	71.0871	73.6669	2.5798	-8.5532
Kombyt [municipal and everyday services]*	3.806	4.1141	308,100	-172,900
APK [agroindustrial complex]*	6.3281	5.9522	-375,900	-3.1482
Exports, total	18.6934	17.5903	-1.1031	-5.1258
including:				
distant countries	12.5742	12.5742	0	1.1055
the near abroad	6.1192	5.0161	-1.1031	-6.2313

*Deliveries in Russia

3. Coal Machinebuilding

3.1. Commodity production valued at R30.6 billion, which is 68.4 percent of the planned output, was turned out by coal machinebuilding plants over the 8 months in

1993. As a result, products valued at R14.1 billion were not delivered. Compared with the same period last year, the volume of commodity production decreased by an average 32.2 percent. Production of the principal output is shown by the following data:

	Units of Measurement	8 Months of 1993			
		Under the Plan	Actual	More/Less Than Plan	Percentage of the Plan
Mechanized complexes	complexes	56	55	-1	98.2
Tunneling combines	units	106	107	1	100.9
Plowing rigs	units	29	28	-1	96.6
Continuous-flow conveyers	units	2,067	1,469	-598	71.1
Belt conveyers	units	661	87	-574	13.2
Loading machines	units	389	210	-179	54.0
Electric locomotives	units	399	42	-357	10.5
Spare parts for GShO [mining equipment]	millions of rubles	—	3.293	—	—

Nonfulfillment of the plan and the decrease in production volume stem principally from the substantial cut-back in the work force (by 3,698 employees or by 11.4 percent) and the insolvency of enterprises, which make it difficult to provide materials and component parts.

4. Capital Construction

4.1 According to the startup program for 1993, the level at which capital investments were put into use for the annual volume as a whole was 25.6 percent and 31.6 percent for construction and installation work over the 8-month period, including 37.4 percent and 45.3 percent, respectively, at mines; 19.6 percent and 25.9 percent at open pits; 25.9 percent and 31.8 percent at coal processing facilities; 21.9 percent and 26.7 percent at preschool institutions; 21.4 percent and 29.7 percent at schools; and 15.6 percent and 25.5 percent at hospitals. Some 262,100 square

meters of housing, including the proportion for individuals and ZhSK [Housing Construction Cooperatives], or 19.3 percent of the annual volume, were put into use.

4.2 The major facilities not put into use during the 8-month period:

—capacities to extract coal at the "Bachatskiy" Pit (2 million metric tons in the "Kuzbassrazrezugol" Production Association), the "Taldinskiy" Pit (500,000 metric tons in the "Kuzbassshakhtostroy" Production Association), and the "Tyulganskiy" Pit (400,000 metric tons in the "Bashkirugol" Production Association);

—three kindergartens for 610 children (the "Kuzbassrazrezugol," "Kuzbassshakhtostroy," and "Sakhalinugol" production associations); and

—a 440-bed hospital complex with a polyclinic to accommodate 1,000 visits (the "Leninskugol" Production Association).

- 4.3 The main reason for the extremely unsatisfactory situation in capital construction, as in the sector as a whole, is the financial crisis. As of 1 September 1993, the budget debt was R353.3 billion, including R86.3 billion for production development and R40.3 billion for TsKV [centrally convertible currency] financing. In August, the "Rosugol" Company, jointly with the Department of Coal Industry and representatives of the sector's construction organizations, reviewed the progress of construction starts and made appropriate decisions.

5. Economic Indicators

- 5.1 The commodity production turned out over the 8-month period is valued at R793.6 billion in enterprises' comparable wholesale prices, which is 9.7 percent less than the same period last year.
- 5.2 The output of commodity production per employee was R1.3791 million, a decrease of 9.4 percent from 1992.
- 5.3 The average number of officially listed employees engaged directly in industrial production in the January-August period was 575,400, a decrease of 2,343 persons from 1992. There has been a steady outflow of personnel from coal enterprises since May. This is because of the unsatisfactory working conditions and the wage level, as well as seasonal fluctuations throughout the year.
- 5.4 The wage of a worker in the coal industry in July 1993 was R109,349, an increase of R25,694, or 30.7 percent, over June 1993. The largest increases were in the production associations "Sakhalinugol" (171.9 percent), "Kizelugol" (162.5 percent), "Rostovugol" (161.6 percent), "Vostsibugol" (156.5 percent), "Primorskugol" (154.1 percent), and "Vorkutaugol" (150.7 percent), and the smallest increases were in the production associations "Gukovugol" (106.7 percent), "Tulaugol" (108.9 percent), and

"Yakutugol" (111.5 percent). This wide fluctuation in the wage increase in July 1993 stems from the different procedure for calculating wages (taking wages into account with and without indexing to measure the rise in consumer prices in the second quarter of 1993) because of the delay in transferring budget funds for implementation of the sectorial wage agreement.

Compared with the same period last year, the average monthly wage of a worker in the industry over 7 months in 1993 increased by 7.6 times as much, reaching R66,354. The rate of the wage increase ranges from 652.8 percent in the "Leninskugol" Association to 1,001.8 percent in the "Severovostokugol" Association.

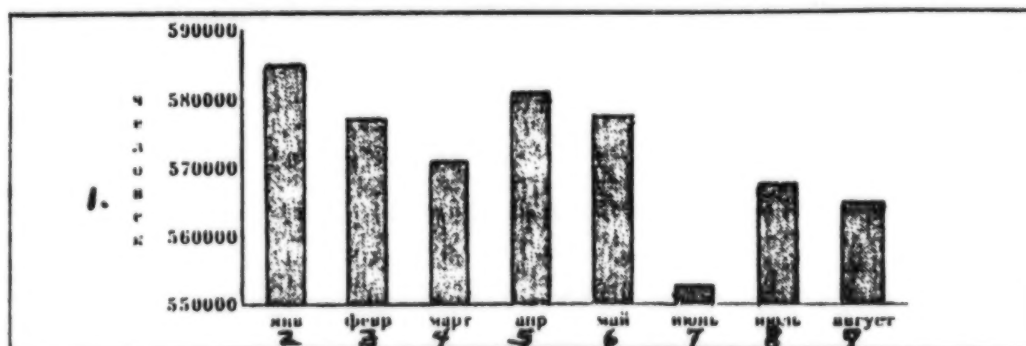
In June 1993, the wage of a worker in the coal industry was R88,529, which is R35,727 (40.4 percent) lower than the wage in the petroleum industry, R55,270 (62.4 percent) lower than the wage in the gas industry, and R2,711 (3.1 percent) lower than the wage in nonferrous metallurgy. In its wage level, the coal industry held fourth place in June (instead of third place in May), since in other sectors it had risen at a faster rate. The electric power engineering industry (with a wage of R87,921 in June) came close to the coal industry because of this.

In the first half of the year, the rate of increase in the average wage of coal industry employees was the highest (708 percent) among the basic sectors of industry and industry as a whole in Russia (865.9 percent).

- 5.5. The production cost of 1 metric ton of coal from January to July 1993 was R3,021.58, which is R219.27 lower than the plan and R2,670.29 higher than in 1992. The increase in production cost over 1992 stems from the increase in the wage fund—R748.35—and the rise in prices and rates for material outlays—R921.86.

The funds saved for all extraction added up to R35.94 billion.

Number of PPP [Workers Directly Engaged in Industrial Production] in 1993



Key:—1. Persons—2. January—3. February—4. March—5. April—6. May—7. June—8. July—9. August

5.6 As of 1 September 1993, the credit indebtedness of coal industry enterprises amounted to R370.9 billion and the debt of buyers and clients (the incurred debt) was R426.8 billion. In August, as a result of the higher prices for coal products, the steady inflationary excess of credit debt was abruptly replaced by an excess of incurred debt.

6. Shareholding and Privatization

In conformity with the President's Edict No. 1702 of 30 December 1992, 54 coal industry associations and enterprises are due to be changed into open-type joint-stock companies.

Two associations ("Gukovugol" and the "Kuznetskugol" Concern) and 21 enterprises, including eight mines, two open pits, two OF [concentration mills], four machinery plants, and two mine-building combines were changed into joint-stock companies.

In the January-August period, the Central Working Commission on Privatization of the RF Ministry of Fuel and Energy reviewed materials on 32 associations and enterprises and 36 directives were issued by the RF Goskomimushchestvo [State Committee on the Administration of State Property]. As of 1 September 1993, 82 directives were issued in the coal industry on the creation of joint-stock companies, 40 of them by the Goskomimushchestvo.

As of 1 September 1993, in the associations and enterprises listed in Supplements 1 to 4 of the Russian President's Edict No. 1702 of 30 December 1992, the following coal mining enterprises and machinebuilding plants were changed into joint-stock companies and founding documents were approved for them: "Kuzbass-razrezugol," "Vorkutaugol," "Sibantratsit," "Krasnoyarskugol," and "Rostovugol," and the Kopeyskiy, Shakhinskiy, Kamenskiy, Aleksandrovskiy, and Istrinskiy ("Uglemash") machinebuilding plants.

Documents for approval of the joint-stock companies of the Skuratovskiy, Skopinskiy, and Atkarskiy machinebuilding plants, the "Leningradslanets" Association, and the "Mosbassshakhtostroy" Combine are now in the RF Goskomimushchestvo for its consideration.

Materials on changing the production associations "Dalvostugol," "Tulaugol," "Kizelugol," "Sakhalinugol," "Bashkirugol," and "Belovougol"; the "Leninskugol," "Kiselevugol," and "Prokopyevskugol" associations; the "Severokuzbassugol" and "Khakasugol" concerns; the "Giprouglemash" Institute; and the "Shakter" Rest Home into joint-stock companies have been reviewed in the Central Working Commission and are being prepared for transmittal to the RF Goskomimushchestvo.

Materials on the "Vakhrushevugol" Association have been transferred to the working group for its consideration.

Materials on the "Vostsibugol" Production Association and the "Katekuglestroy" Combine are being prepared for the working group's review.

In accordance with the schedule outlined, it is expected that examination of the materials on changing the enterprises stipulated by the RF President's Decree No. 1702 of 30 December 1992 into joint-stock companies and their submission to the RF Ministry of Fuel and Energy will be completed for the most part in the third quarter of this year.

7. Conclusions

7.1. The recession continues in coal mining, the production volumes at coal machinebuilding plants, and in capital construction.

These are the principal reasons:

- decline in the effective demand for coal products because of coal customers' lack of funds and the increased prices for coal;
- the shortage of funds to obtain materials and equipment in the quantities needed; and
- delays in receiving the means of state support.

7.2 Introduction of free prices for coal beginning on 1 July 1993 with an increase in transportation rates at the same time has had a negative effect on the level of coal deliveries and its accumulation by customers before the fall and winter period of 1993-1994.

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